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*denotes Past Chairman

Pictured on the cover:
Petersburg State Bank
front row left to right: Ross Knot, President;
Radene Temme; Angie Simons; Angie Koch;
Allen Thorberg, Sr. Vice President
(not pictured Ev Stokes)
UPCOMING EVENTS

Area Meetings

June 17  Friend Country Club  Friend, Nebraska  meeting – golf – dinner

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April is Community Banking Month and a great time to reflect upon the idea of “Why we do what we do.” My experience is that community banking is not an industry or a way of life. Community banking is not a person, or even a group of people. Instead, it is a concept which has been developed by the visions of thousands of community bankers across this great nation for the purpose of serving something greater than themselves.

I am fortunate for the opportunities to connect with many community bankers through various banking and community organizations. It seems that regardless of whether or not I’m at a director seminar, which may attract our more-seasoned veterans, or a tech conference, where if you’re over thirty you may be put in the “beginners” section, we still are faced with the same old, “How can we compete?” and “Is this worth the effort?” I have heard, thought of, and at times became absorbed with, all the reasons the “concept” of community banking shouldn’t work. Yet, as I sat in Dave Specht’s seminar at the November NICB convention and he asked how many banks were one, then two, then three, four, five, and even six-generation banks, most of the room was still standing past four! I then understood it’s clearly not a question of concept.

As your NICB chairman for the next two years, you will only hear and witness from me why the community banking concept is alive and well in both Nebraska and across the nation. I refuse to spend any resources worrying about how the government, technology, regulators, corporate America, non-bank competitors, and the rest of the world are out to get us. Of course they are, they want what we have! We need to be out to get them, and all of our resources need to be dedicated not to protect the concept of community banking, but to expand it.

The challenge for the concept of community banking, as is the challenge of all private enterprise within a capitalistic economy, is that we must consistently bring our value proposition to our clients and our communities…or someone else will. I’m not here to tell you what your value proposition is, that’s where the “Independent” piece of the community banking concept comes into play. However, you do know what yours is. I believe there are five opportunities we can use to support our unique value propositions to our clients and our communities:

1. People
   Hire people more talented than you who believe in what you are doing. Then let them do what they’re good at. Manage them, grow them, and support them. Yes, other people will want them! It’s your job to present a value proposition to them as well.
   Seek clients who believe in what you are doing and what you are about. Do not commoditize your products and services, that’s for FCS and Walmart. Don’t be afraid to let go of people that don’t fit your model, they cost you too much and don’t support your vision.

2. Technology
   Technology has given community banking an opportunity we have never experienced in our industry. For those of us in rural America, we can consistently retain and attract clients because they are still close to “home.” Believe in it, embrace it, and then let a nine-year-old show you how to use it!

3. Products and Services
   Traditional banking products are still important, but when you hire great people and implement incredible technology, you need to utilize them both. This doesn’t mean you should get away from your core expertise, however it does mean
you need to expand your level of expertise. Products and services are the key driver in expanding the economic capacity of our communities and our banks’ bottom line.

4. Partners
As much as we hate to admit it, we need help delivering our value proposition. To get where we are going, we need great partners. Again, seek vendors that share your core values. If not, it will be a short-term and one-sided relationship. ICBA has a great network of vendors, and with a sound internal process, we can readily determine who can help us get “there.”

5. Industry Resources and Associations
Once we understand we experience more value by actively participating in our regional, state, and national associations, it becomes ingrained in our daily activities. We have clearly proven the need for having “one voice” for community banking. But it doesn’t just happen without all of us on board. Experience the difference that participating in our industry leadership can have within our own organization.

By combining the community banking concept and our unique value within it, we can then leverage it with great people, technology, service, and support, creating the start of something special. When connected with our tremendous passion in our greater purpose, we have a business model that works for generations, regardless of the challenges we face. That is the “what” that “they” can’t get.

My optimism carries over to the ICBA’s Policy Summit in our nation’s capital. I look forward to sharing with our representatives the concept of community banking, and to help draft and support legislation that expands America’s greatness through our industry. I also look forward to working with all of you the next two years as we expand our concept, from Main Street to Wall Street.

Jon Schmaderer, President/CFO
Tri-County Bank
Stuart
402-924-3861
jschmaderer@home.tricountybank.com

NICB Chairman Schmaderer (pic. far right) at the April ICBA Summit Meetings in Washington, D.C. with fellow Nebraska bankers, (pic. left - right) Jeff Gerhart, Greg Hohl, Mark Hesser, Bob Fricke, Jim Stanoscheck, Kurt Yost NICB Pres/CEO, Bill McQuillan and Scott Seliko.
A recent agriculture conference convened with a video of an ad for Dodge trucks that ran during the 2013 Super Bowl telecast. In the ad, the voice of the late Paul Harvey, the iconic news commentator, was heard describing the characteristics and virtues of the American farmer, reminding listeners of the importance of agriculture and the people who work in the industry.

“And on the 8th day, God looked down on his planned paradise and said, ‘I need a caretaker.’ So God made a farmer.”

Harvey’s words, originally spoken in a 1978 speech to a Future Farmers of America convention, remain just as relevant today, but much has changed in agriculture since then. Farmers face many more challenges than existed 35 years ago, and many of those challenges have nothing to do with the normal pitfalls of agriculture. Today the promulgation of government rules and regulations and policies unfriendly to agricultural production pose perhaps a greater threat to family farms and successful agricultural production than weather, pests and disease put together.

Enter the Family Farm Alliance. The Alliance was created nearly 25 years ago with one primary goal in mind: to ensure the availability of reliable, affordable irrigation water supplies for farmers and ranchers in the western United States. The Alliance is an advocate for family farmers, ranchers, irrigation districts, and allied industries in 17 western states. It operates with minimal staff and relies on efforts by its executive director, Dan Keppen, and members of its board of directors and advisory committee to accomplish its goals.

The Alliance is recognized as an authority on critical issues dealing with water policy in the western states. It seeks to impact key issues in Congress and federal and state regulatory agencies on irrigated agriculture issues; build coalitions and create powerful alliances to advocate for irrigated agriculture; facilitate the delivery of accurate and timely information to Congress, regulatory agencies and its members on issues which impact Western irrigators; and communicate with the media and the public on critical issues impacting Western irrigated agriculture.

“God had to have somebody willing to ride the ruts at double speed to get the hay in ahead of the rain clouds and yet stop in mid-field and race to help when he sees the first smoke from neighbor’s place. So God made a farmer.”

“The world will look to farmers and ranchers in the western United States to help produce enough food for more than nine billion people by 2050,” said Alliance President Patrick O’Toole, a sheep and cattle rancher from Wyoming. “At the same time, they will be counted on to continue protecting and enhancing the natural resources and environment that produce food and provide habitat for flora and fauna.”

But that task won’t be easy. While increases in production to meet the growing demand for food will most likely come from irrigated—rather than non-irrigated—lands, producers are confronted with more obstacles to providing sufficient water resources, an
ever-growing list of regulations promulgated by the federal government, and unreasonable demands from large corporate food processors.

There is a debate, O’Toole said, over the need for more regulation of an industry that is already struggling to comply with existing regulations. The federal government and the large agri-businesses that buy agricultural production often “don’t get what it takes to produce food and, at the same time, make enough profit to stay in business,” said Hal Hamilton, the founder of Sustainable Food Labs. “They’re going to design sustainable food processes, and not necessarily with input from the producers, and they’re going to force compliance with their policies whether the producer likes it or not,” Hamilton said.

“God said, ‘I need somebody willing to get up before dawn, milk cows, work all day in the fields, milk cows again, eat supper and then go to town and stay past midnight at a meeting of the school board.’ So God made a farmer.”

Questioned about whether U.S. producers will eventually arrive at a point where the government is dictating virtually everything about how ag producers grow food and how water is used, Jim Moseley, deputy secretary at the U.S. Department of Agriculture from 2001 to 2005, replied, “We certainly seem to be moving in that direction. The government can extract extraordinary measures from its citizens and set all of the parameters. If we, as ag producers, can put forth policies that work for both us and the government, we can be successful. But the government tends to want to apply the same standards to all situations, which doesn’t work for everyone and will likely lead to failure of many farm operations.”

The government shouldn’t treat ag producers like “widget suppliers,” said Hamilton, where only the most efficient supplier is able to sell the product. “Yes, we are all trying to increase efficiency, but government programs that treat everybody the same aren’t going to work very well because producers don’t all have the same situations and conditions under which they’re working,” he said. “One size doesn’t fit all.”

“I need somebody with arms strong enough to rustle a calf and yet gentle enough to deliver his own grandchild. Somebody to call hogs, tame cantankerous machinery, come home hungry, have to wait for lunch until his wife’s done feeding visiting ladies and tell the ladies to be sure and come back real soon—and mean it. So God made a farmer.”

According to the U.S. Census Bureau, there were 987 million acres of farmland in the United States in 1990. By 2012, that number had fallen to 914 million acres. At the same time, the number of farms has dropped to about 2.1 million and farm families now represent only two percent of the population. On this declining number of shoulders rests the burden of feeding a rapidly growing world population. If agriculture, particularly in the western United States, is to be successful, producers must build coalitions to make their case at the state and federal level to convince policy-makers that those working in agriculture can be, must be, a part of the solution.

But, as former Deputy Secretary Moseley stated at the Alliance conference, “We need to be right in our judgments in how to proceed, right from a moral and factual standpoint. Politics will always result in political decisions and those decisions don’t always reflect the evidence. The challenge before us is to reach the right decisions despite the politics involved.”
“The public demands much,” he continued. “Our challenge is to make the public care about what ag does, because right now, it doesn’t. There’s too much disconnect between the public’s perception of agriculture—particularly among the urban population—and what is actually happening on the farm.”

The United States enjoys the lowest cost for food in the world, but as Moseley contends, the public doesn’t understand why this is so, or why it is so important. “America’s farmers have created enormous economic benefits,” Moseley said. “Because we pay a low amount for food as a percentage of our income, Americans have more disposable income left to spend on other things, which helps boost the nation’s economy.”

Moseley said the nation needs to protect its food supply, but he wasn’t speaking of a threat from some shadowy terrorist cell. Rather, America must ensure that the supply of food remains safe, plentiful, and affordable. “Look what happens in other countries where buying food eats up most of a family’s income: unrest,” he said.

While that scenario might seem inconceivable in the United States, Americans must remember that this country helps feed the world, while providing plentiful supplies for its own population.

It’s true that 75 percent of the water used in this country goes to agricultural purposes, but that use is perceived to have low value. To change that perception, Moseley said, we need to increase the understanding that water is a necessity to maintaining and increasing food production. The agricultural community, he said, has to impress upon the public and the policy-makers in Washington, DC that without sufficient supplies of water, there will be insufficient production of food and that threatens the security of this nation.

That task may seem like a tall order, but organizations like the Family Farm Alliance are doing their part. In addition to trying to address the perception issues, the Alliance is always working toward improved and innovative coordination among the federal agencies which assist and regulate agricultural production in the western United States.

Congressman Doc Hastings (R-WA), chairman of the House Natural Resources Committee, said during the conference that, “At a time when many consumers have little idea where their food, power and water come from, we need to step up together to educate them on why it’s necessary to have federal policies which allow us to provide food, water and energy security.”

“We need somebody to seed, weed, feed, breed and rake and disc and plow and plant and tie the fleece and strain the milk and replenish the self-feeder and finish a hard week’s work with a five-mile drive to church. So God made a farmer.”

Jeff Buettner
Public Relations Coordinator
The Central Nebraska Public Power and Irrigation District
308-995-8601

(For more information about the Family Farm Alliance, including information about becoming a member, visit their web page at www.familyfarmalliance.org.)
TOP 17 TOO-BIG-TO-FAIL BANKS’ ASSETS

7,052 Community Banks make up 99.4% of all banks in the U.S., while just 17 too-big-to-fail banks in the U.S. hold 63% of all assets.

END TOO-BIG-TO-FAIL NOW
OPEN FREE MARKETS TOMORROW
As a community banker, I do not share concerns about the impact addressing the threat of “too big to fail” financial firms once and for all will have on our industry. In fact, downsizing and restructuring these systemically dangerous institutions is essential to removing their government-subsidized competitive advantages and restoring America’s free market economic system. The fact is this: Community bankers should be more worried about what will happen to our industry if we don’t act.

Right now there are two entirely different banking industries and two separate levels of risk. When you look at all the facts it’s easy to see that 99.4 percent of the industry—I’m talking about community banks here—are clearly getting the raw end of the deal simply because they aren’t able to operate in a truly free market system.

Excessive concentration in the banking industry and the “too big to fail” doctrine has led directly to systemic risks that jeopardize the safety and soundness of financial institutions across the nation. When incentivized risk-taking comes back to bite “too big to fail” firms, the federal government steps in with a taxpayer-funded rescue while community banks and Main Street communities suffer the economic consequences. And, when a community bank is deemed to be no longer a concern due to the economic wreckage, regulators intervene far differently than they do on Wall Street.

The “too big to fail” advantage extends beyond taxpayer backstops when Wall Street has gotten in over its head. Federal Deposit Insurance Corp. data show that while megabanks have the lowest credit quality in the banking industry, they also have the lowest cost of funding. Meanwhile, smaller community banks have both the best credit quality and the highest cost of funds. Obviously, the heavy hand of “too big to fail” is overpowering the invisible hand of free-market forces. Ensuring that no financial institution enjoys the benefit of being deemed “too big to fail” will help ensure that community banks operate on a level, market-based playing field.

Finally, truly addressing the “too big to fail” threat will help free community banks from the oppressive regulatory environment that we face every day. Much of the overwhelming paperwork burdens and regulatory red tape we endure is due to the reckless practices and misconduct of the megabanks and their tens of thousands of shadow banking subsidiaries. While these large financial firms can afford the legal teams necessary to meet the regulatory obligations they have spawned, community banks are left to redirect resources that could be used to help their communities prosper.

For community bankers, the answer to the “too big to fail” crisis is not more regulation. Innumerable regulations have already been enacted to deal with the problem. These regulations fall disproportionately hard on community banks, yet the megabanks continue to grow and our nation’s financial resources continue to consolidate. Only by actually downsizing and restructuring “too big to fail” institutions—by limiting the systemic risk created by the sheer size and interconnectedness of the institutions that put our financial system and economy at risk—can we eliminate unfair competitive advantages, unleash our free markets and allow community banks to compete in the financial landscape.

Maintaining the status quo would only result in community banks’ continued subjugation by the megabanks that enjoy privileged status in Washington. For the community bankers like me who want our industry to survive and thrive, we must stand together as one to break up the “too big to fail” stranglehold and ensure a future for Main Street community banking and the communities we are privileged to serve.

William A. Loving, Jr., President/CEO
Pendleton Community Bank
Franklin, WV
bloving@yourbank.com
Petersburg State Bank
“A friendly bank in a friendly town”

Petersburg State Bank was chartered in December of 1920 and opened for business in January 1921. In 1994, Petersburg State Bank built a new building across the street from the original building.

For this feature we interviewed Allen Thorberg, Sr. Vice President of Petersburg State, who also serves on the NICB Board of Directors.

Technology—where do you feel your bank is for accommodating customers or keeping up with competitors?

You can never stay ahead of technology. We try to offer what we think will do our customers the most good. We understand that social media is popular now but we have not starting using it at the bank level.

Allen, where did you grow up?

On a farm in the Petersburg area.
How long have you been in banking and where did you start?
35 years. Petersburg State Bank

Succession and Strategic Planning, how is your bank addressing these issues?
We have ongoing discussions at the board level. Some outside contacts have also been made.

Bank Trademark or Slogan?
“A friendly bank in a friendly town.”

What services are you offering your customers to stay competitive?
Internet banking, ATM debit cards, and remote capture deposits.

How do you meet the educational needs for your directors and employees?
Live and web seminars from various banking organizations and from vendors.

Any family members in banking?
No

What's the most rewarding thing about being a Community Banker?
Helping local people who are your friends and neighbors achieve their goals. Seeing the local community thrive and being a part of that.

What is your biggest challenge?
Over regulation. We must find a way to stop it before it stops us.

If you could have lunch with someone in the banking industry who would it be?
Ben Bernanke. I would like to talk about interest rates and this feelings on extended periods of low rates. If he truly believes that is good for the country and the economy.
Editor’s Sidebar

Traveling north out of Albion, the county seat of Boone County and a bustling community of 1,600-plus people, 15 minutes later you arrive in Petersburg, population 340. This edition of our quarterly magazine features the Petersburg State Bank and the community it serves. CEO, Ross Knott, (prefers cattle to banking) and Sr. VP, Allen Thorberg (prefers golf to banking) along with three local business/farmer partners are exemplifying the definition of Community Banking as the “Economic Engine of the Community.”

With Allen serving on the Village Board and a 36-year employee of the bank, coupled with the fact that both Ross and Allen were born and raised in the area, makes Petersburg’s success an easy goal. Looking up and down main street you find a retail lumberyard, weekly newspaper, hardware/furniture store (selling everything from bolts to beds), in fact Ross told me “unless you wear it or eat it, between the lumberyard and hardware/furniture store you can find everything you need” and having gone through the hardware store, I believe him.

Further creating economic activity are two wind farms consisting of 81 towers and creating 15 jobs. Another wind farm with 118 towers is planned just north of town. Finally a great story of a local grocer and his community bank. Located on Highway 14 at the southwest edge of Petersburg sits the “Rae Valley Market.” Opened in 2011, the grocery store consists of 10,000 square feet-plus of grocery shopping, a delicious deli, small business and community room serving senior citizen meals, state-of-the-art coolers, and a spacious warehouse designed to accommodate significant inventory. The method to grocer Larry Temme’s madness is having the ability to supply surrounding community grocers with inventory, as suppliers continue to put upward pressure on volume.

That entrepreneurship and idea of cooperation among rural communities, coupled with the helping hand of the Petersburg State Bank, is what caught this writer’s attention. It is that kind of forward thinking that brings economic vitality to rural Nebraska.
Websites are, by nature, unfinished business. No matter how recently you’ve redesigned a website, it’s easy to feel as though it’s growing stale and needs a change. But keeping up can be tough. The pace of technology aside, design trends constantly fluctuate and shift greatly depending on the actions of a few key players (Apple, Microsoft, Google, etc.) Chasing this moving target can be expensive, time consuming, and frustrating.

Perhaps, then, we can find some ways to update a website beyond the ever-changing graphical elements (colors, shadows, typefaces) and flashy functionality (pop-ups, animations, etc.). Ultimately, these are just window dressing, anyway. The foundation of your website is the content: what it says and how it says it. Content has a major impact on a website’s effectiveness and perception.

If you’re looking to spruce up your website, start by redesigning the content.

A little spring cleaning

I’ve heard it said that web redesign is like moving from one house to another. Usually when people move, they use the opportunity to take stock of all the stuff they’ve gathered over the years. They’ll find things they haven’t touched in decades, and seeing them again begs the question of whether or not they’re even necessary. More often than not, they’ll end up *throwing a lot of stuff away.*

The same thing needs to happen to your content. Your organization has likely had a website since the late ’90s. Over all that time, pages and paragraphs add up, resulting in a great deal of information that may no longer be relevant or effective.

Be careful not to use your website as an online filing cabinet.

Outdated content can have a negative impact on the perception of your institution. Put yourself in a visitor’s shoes for a minute. Imagine you visit a website, and land on text that is clearly obsolete, or worse, the wording contradicts what you’ve recently been told by someone at the company. What will be your impression of that organization’s attention to detail? What about its trustworthiness? According to a recent survey, 65 percent of responders felt content on the web was unreliable.1 Don’t give visitors reason to be skeptical of your institution, too.

Sweep up the cobwebs. Sift through and find out-of-date material; then either update it or trash it. Repeat this process as often as you can—it’s one of the many reasons we offer a content management system, or CMS. Take a look at your website’s statistics. If a page has seldom been visited, get rid of it! If it really is crucial information for your users, you need to rethink how to get it in front of them.

continued …

Russell Anderson

It’s Time to Clean House: Redesign Your Website’s Content

Outdated content can have a negative impact on the perception of your institution. Put yourself in a visitor’s shoes for a minute. Imagine you visit a website, and land on text that is clearly obsolete, or worse, the wording contradicts what you’ve recently been told by someone at the company. What will be your impression of that organization’s attention to detail? What about its trustworthiness? According to a recent survey, 65 percent of responders felt content on the web was unreliable.1 Don’t give visitors reason to be skeptical of your institution, too.

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continued …
“Make it pop”

We hear this phrase from clients a lot when it comes to creating our graphic designs. People want their website to stand-out from the crowd and catch people’s eyes. The same is true for your content. You’ve got to “make it pop!”

People don’t actually read websites, they scan them. Think of the last article or blog post you’ve read (including this one). Did you really read every last word? Or did your eyes jump from paragraph to paragraph searching for the information that was relevant to you? Here I am suffering over every last word of this post, when only my boss (and maybe my wife) will actually read the whole thing.

When visiting your website, your users are hunting for key pieces of information. They’re seeking to make quick comparisons about the products and services you offer. Maybe they’re in crisis-mode because they’ve just lost their debit card, or they need to find the nearest branch quickly.

If your website is cluttered, your content too lengthy, and your pages too many, it becomes difficult for users to do what they need to do.

Furthermore, bloated content can make it difficult for your website to turn prospects into customers and increase business from existing customers. Transparency is important in the financial industry, but this does not mean that every last detail of every last product needs to be on your website. Techniques like progressive disclosure can help users who want more information find it. Give them the details they need to make an informed decision, succinctly and without jargon.

Also, be sure to give your users a clear call-to-action on every page—to an application, contact form or phone number. Make sure every bit of content moves your user forward in their relationship with you.

What you can control

Ultimately, you may not be able to exert much control over Web trends and technology, but you do have control over the words on your website.

Redefine the redesign: focus on content.

Good Luck.

Russell Anderson
Jack Henry
RuAnderson@jackhenry.com

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ProfitStars is an NICB endorsed provider for their website design and hosting services. Contact John Yanacek, 615-260-2111 or JYanacek@profitstars.com with any questions about this article or for more information to revitalize your website.

Nebraska Independent Banker Magazine
The “B” Word

BABs and Sequestration

The broker/dealer industry is highly skilled in assigning acronyms to financial terms. You may have heard about BABs in the last three years. But if you haven’t, you should listen up.

Community banks which own Build America Bonds should be aware of some potential downside in their holdings, and those who don’t own BABs should consider them as a viable portion of their investment portfolio. Either way, the story is worth telling or retelling. The potential upside is quite considerable.

BABs revisited

Build America Bonds were born in 2009 via the notorious stimulus bill, the ARRA. A section in that act created a special category of taxable munis that was to finance infrastructure projects across the country, hence the name. A unique characteristic of BABs is that the issuer would receive a subsidy from the Treasury department of 35 percent of the cost of borrowing. This would bring the interest cost of the issues roughly in line with that of tax-frees.

A stipulation in the bill is that BABs had to be initially issued in 2009 and 2010. The window closed after the sunset date, so no more are being printed. Still, $187 billion were originated, and many are still available in the secondary market. The original buyers of these securities have been mostly pleased with their performance, as they are trading at significant premiums.

Be duly diligent

A fly in the ointment has emerged, thanks to our Federal government being in sequestration. A minority of issues, perhaps thirty percent, have a provision in the Official Statement (OS) that allows for the bonds to be called back at par, in the event of the subsidy being partly or fully eliminated. This could trigger Extraordinary Redemption Provisions (ERPs) on some of your favorite bonds.

This does not put principal at risk. It could, however, make it highly unlikely that some of your BABs would trade at prices above par, since the issuers could call them away at their whim. If you own some of these at premiums, you could have real call risk.

The good news is that most BABs that are callable have “make whole” ERPs that require the issuer to pay very near market price to refinance the outstanding debt. This could and should make it non-economical to exercise the call option. If you haven’t yet, now would be a good time to review the OS. Focusing on the ERP section should identify if you have any exposure. The language is usually quite straight-forward, and your broker should also be able to assist.

Wide appeal

Beyond the sequestration issue, BABs can be utilized by a wide range of investors. Since the interest income is taxable, even non-taxable entities (which can include some earnings-challenged banks) can own them. Buyers don’t have to worry about TEFRA penalty, or Alternative Minimum Tax (AMT), or whether an issue is bank-qualified. If they choose to sell a BAB at a premium, it does not create a punitive tax liability, unlike the sale of a tax-free at a gain.

Also, the premium price that most BABs command at this point can be seen as a hedge against rising rates. Once an investor has assured him- or herself that a given bond does not have an ERP at par, an investment or three can form a nice complement to other core portfolio

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items. Many BABs have stated final maturities out past 15 years, with standard (i.e. not extraordinary) call provisions in about eight years.

Premium callables are known as “cushion bonds.” They are expected to get called, and are accordingly priced to have a lesser yield to the first call date. If the call date arrives and the bond does not get called, by reason of then-market rates being much higher than today, the yield increases substantially. In this sense, cushion bonds are considered quasi-adjustable.

To conclude this acronym-laced column, BAB investors are encouraged to review the fine print of their holdings for any ERPs. The bonds themselves can form the longer end of barbell, and have yields toward the upper end of the current income scale. So be PDQ in your efforts, and you can most assuredly improve your ROA.

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ICBA Securities announces its inaugural webinar series. These educational events, produced exclusively for the state associations which endorse ICBA Securities as well as the ICBA member banks, will cover a variety of topics of interest to community bank management and financial executives. Details for registration to the individual webinars will be distributed about three weeks prior to each event. There is no cost to attend.

**TOPICS:**
June 12  
Mid-Year Portfolio Strategies

August 14  
Balance Sheet Management & Your Portfolio

November 13  
Year-End Portfolio To-Do List
The role of a community bank director has changed. For many, it is still an honor to serve on the board of a local community institution, but no one can deny that the past five years have significantly altered the banking industry’s expectations of the board of directors. At its core, the board’s job is to enhance value for the bank’s shareholders. Unfortunately for some, that means more than going to the board meeting and casting your ballot in favor of whatever the president just proposed. To assist you in understanding your role as a director, this article will discuss three practical, foundational elements of your real job.

You are Not a Member of Management

Your role is to ensure the bank has competent management in place to operate successfully, and then to oversee management and hold it accountable to the bank’s policies and procedures. Micromanagement is one of the most wasteful and harmful exercises in which a board of directors can engage. That is not to say that the board should not be involved in some minutia when the situation warrants, but the default position should never be to assume the role of executive officer. Hire the right people, ensure appropriate policies are in place, and address issues along the way.

Know Enough

While your job is not to usurp the management function, it is hard if not impossible to fulfill your role as monitor if you do not understand the basic inner workings of your bank, your community, and the industry as a whole. Director education is no longer something to engage in if you have the time—it is necessary for the healthy operation and profitability of the bank. At a minimum, every board member should be familiar with the bank’s internal policies. As a matter of best practice, the board members should also understand the community the bank serves in order to properly assess loan risk, local economic conditions, and other relevant factors.

Plan for the Long-Haul

Have you ever stopped to consider that the bank will probably be around longer than you? Most directors I know have not, yet it is a key consideration to enhancing shareholder value. One of the most overlooked aspects of the board’s role is the necessity of short-term and long-term succession plans for itself and management. It is easy to miss the importance of these plans in light of all the other issues in the industry today, but that is no reason not to be proactive. Losing a key member of management or the board can have a substantial negative impact on earnings as the bank scrambles to find a replacement that “fits.” Succession planning may be a minor inconvenience now, but it could save the institution a considerable amount of time and profitability in the future.

At the end of the day, your job as a director is to enhance shareholder value. These three considerations offer a practical means to do that job well.

Jeff Gerrish, Chairman
Gerrish McCreary Smith Consultants, LLC

Jeff Gerrish is a regular speaker for the Community Bankers Webinar Network and has presented at our annual conference in Nebraska. Jeff was Regional Counsel for the FDIC, now he is Chairman of the Board of Gerrish McCreary Smith Consultants, LLC and a member of the Memphis-based law firm of Gerrish McCreary Smith, PC, Attorneys.
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