

# SDBANKER



OFFICIAL PUBLICATION OF THE SOUTH DAKOTA BANKERS ASSOCIATION | **NOVEMBER 2018**



**WOMEN  
IN BANKING**  
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**Front Cover Photo:** Suellen Keller, Bank Midwest, Sioux Falls; Clarissa Drefs, BankWest, Pierre; and Kelli Bullert, Bank Midwest Sioux Falls, at the SDBA's Women in Banking Conference.

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from the executive office.....

BY CURT EVERSON | President | South Dakota Bankers Association

# Get Out and VOTE

**A**s the November digital edition of SDBanker Magazine lands in your email inbox, I ask only one thing:

## GET OUT AND VOTE ON NOVEMBER 6!

The 2018 general election ballot is full of reasons why you should not let busy work or family schedules get in the way of exercising this fundamental right granted to adult citizens fortunate enough to live in a democratic society. Here are some of those reasons:

### Statewide Races for Congress, Governor, Attorney General and Constitutional Offices

Every four years, South Dakotans vote on a full slate of races for statewide offices. The only races missing from this year's ballot are contests for the presidency and for one of our seats in the U.S. Senate. But as you look up and down the statewide ballot, the only race with an incumbent seeking re-election is for a seat on the Public Utilities Commission. So, get out and vote for the candidate of your choice!

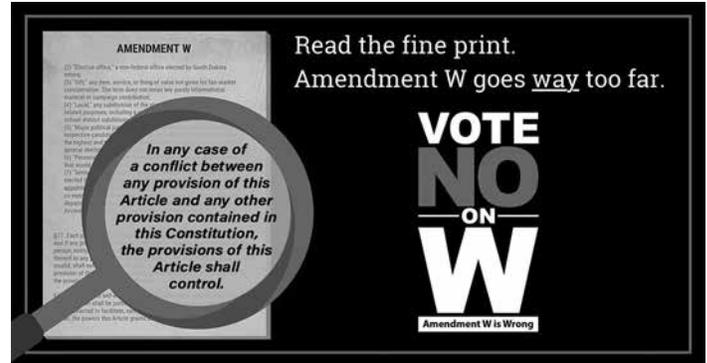
### State Legislative Races

Registered voters in every state legislative district can cast a ballot for one state senator and two members of the South Dakota House of Representatives. Each major political party fielded candidates for those positions in the vast majority of South Dakota's 35 districts. Choices abound! Get out and vote!

### Ballot Questions

South Dakota's citizens have the right to circulate petitions and gather signatures in support of proposed changes to South Dakota Codified Law or the State Constitution directly at the voting booth. Voters this year will have the opportunity to vote on three proposed amendments to the South Dakota Constitution and two initiated statutory measures. Briefly stated, those measures include:

**Constitutional Amendment W** proposes changes to campaign finance and lobbying laws, creates a government accountability board, and changes certain initiative and referendum provisions. As I stated in



my September 2018 SDBanker Magazine column and in emails to SDDBA member CEOs, similar to 2016's Initiated Measure 22, this multi-faceted, anti-government corruption amendment is fraught with problems that cannot be fixed by the governor or the South Dakota Legislature. Key problems with W include:

- W creates an unelected tribunal that has the power to pass rules that cannot be altered by any other branch of government—not the governor, the South Dakota Legislature or the courts. It could adopt rules that require all public employees, including teachers and law enforcement officers, to make public their federal tax returns. Businesses holding public contracts could be forced to disclose their financial statements, ownership structure and private details of family member who don't even have a financial tie to the business.
- W claims to be superior to all other articles of the existing State Constitution. Conflicts between W and the rest of the Constitution could not be fixed by the Legislature. The only way to change W and its non-elected ethics board is to return to the voters for another statewide vote.

Amendment W is the only ballot measure in 2018 upon which the SDDBA has taken an official position. **The SDDBA is opposed to Amendment W and urges members to vote NO.**

*Continued on next page.*

**Constitutional Amendment X** proposes to increase the number of votes to approve a constitutional amendment from a majority of 50 percent to 55 percent of votes cast.

**Constitutional Amendment Z** would establish that a proposed constitutional amendment may embrace only one subject and would require proposed amendments to be presented and voted on separately.

**Initiated Measure 24** would prohibit contributions to ballot question committees by non-residents, out-of-state political committees and entities that are not filed with the South Dakota Secretary of State.

**Initiated Measure 25** would increase the state tobacco tax and would create a postsecondary technical institution fund for the purposes of lowering student tuition and providing financial support to the state's postsecondary technical institutes.

## Election Resources

A host of election-related resources can be found on the website of South Dakota's Secretary of State at [www.sdsos.gov](http://www.sdsos.gov).

There are two tools that I think would be particularly useful to check out before you go to the polls.

The first is a multi-page pamphlet that provides information about the proposed ballot measures. One page contains a listing of key contacts for each of

the ballot questions. The rest of the pamphlet lists specifics for each measure including the Attorney General's explanation, prison/jail cost estimate (if any), a fiscal note, and pro and con statements. You can find the ballot question pamphlet at: <https://sdsos.gov/elections-voting/assets/2018BQPamphlet.pdf>.

If you want to really be prepared for what you will see on the ballot that election officials will provide when you go to the polls, the Secretary of State has provided an easy-to-use Voter Information Portal on its website at <https://vip.sdsos.gov/vipLogin.aspx>.

You can also get to the portal at [www.SDSOS.gov](http://www.SDSOS.gov) by clicking on the VIEW SAMPLE BALLOT tab. You will quickly notice a voter registration name search utility where you can enter your first and last names, date of birth and zip code. A search on those fields will return a field where you can access a sample ballot showing all applicable local races, statewide contents, state legislative races and ballot measures.

## NOW THAT YOU ARE READY, GET OUT AND VOTE! :!:

Curt Everson is president of the South Dakota Bankers Association in Pierre. Everson can be reached at 605.224.1653 or [ceverson@sdba.com](mailto:ceverson@sdba.com).

## SDBA Welcomes Marco as an Associate Member

The SDBA Board of Directors has approved Marco as an associate member.

### Marco

**Contact:** Eric Erickson, Technology Advisor  
**Address:** 4001 N Lewis Ave, Sioux Falls SD 57104  
**Phone:** 605.275.9600  
**Email:** [eric.erickson@marconet.com](mailto:eric.erickson@marconet.com)  
**Website:** [www.marconet.com](http://www.marconet.com)

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## south dakota bankers insurance & services update.....

BY MIKE FEIMER | President | South Dakota Bankers Insurance & Services Inc.

# Dean Franzen Joins SDBIS

**D**ean Franzen is the new P&C, bond D&O and health agent for South Dakota Bankers Insurance & Services (SDBIS), Inc. Dean and I go back more than 20 years when we worked together building health products for Woodman Accident and Life in Lincoln, Neb. We anticipated a time in the future when we could work together again, and that time is now.

Dean started his new position as SDBIS' commercial lines specialist on Oct. 22. We will be visiting each of the Association's banks familiarizing him with our unique business model. Dean is an accomplished underwriter who has earned eight insurance designations. He also had a long career teaching insurance and business practices at the college level.



Dean grew up in a banking family in Columbus, Neb., and completed his undergraduate degree in business administration at the University of Nebraska, Kearney. He later completed his master's degree in education at Concordia University in Seward, Neb.

Dean began his professional career in the insurance industry and spent almost 25 years in various home office roles. He worked for several companies including Mutual of Omaha, Physicians Mutual, American Republic and PCS Health Systems holding positions such as marketing manager, product development manager, health insurance specialist, senior life and disability underwriter, health underwriting consultant and manager of disability development.

"These experiences allowed me to gain valuable knowledge with many different product lines including health, life, long-term care, accident, disability and work site products," Dean said. "During this time, I gained additional industry expertise by earning eight professional designations."

- **RHU** - Registered Health Underwriter
- **HIA** - Health Insurance Associate
- **MHP** - Managed Healthcare Professional
- **DIA** - Disability Income Associate
- **DHP** - Disability Healthcare Professional
- **LTCP** - Long Term Care Professional
- **EBHA** - Employee Benefit Healthcare Associate
- **HCSA** - Healthcare Customer Service Associate

Dean served as an Advisory Council member for America's Health Insurance Plan (AHIP) Center for Education and Professional Development, which created new educational programs, curriculum enhancements and designation pathways for insurance industry professionals. He served on the Executive Council of LOMA's Health Underwriting Study Group and as a text review expert for LOMA's insurance education programs.

Dean also acted as an insurance underwriting expert for the U.S. Department of Labor and authored articles on various insurance topics published in industry trade journals in the United States, Europe, Australia and India.

With the ushering in of the Affordable Care Act, Dean left the insurance industry and entered the education field, but he never quit teaching and working with insurance. He taught a couple of years in the K-12 public school system.

For the past six-plus years, Dean has served as the business department chair at North Central Kansas Technical College, which is ranked the second best two-year technical college in the U.S. by Forbes Magazine. Dean was hired to start a business program at the college which includes courses in insurance, personal finance and banking. Dean also created and taught a class on insurance and risk management in the MBA program at Concordia University.

During his time in education, Dean earned several additional professional certifications including one in entrepreneurship and small business and became a Certified Employability Skills Trainer. After a decade in the world of education, Dean said it was time to return to his roots in insurance.

"The opportunity to work with Mike Feimer again was something I could not pass up because he is one of the most knowledgeable insurance professionals I know," Dean said. "I look forward to working with him and the South Dakota Bankers Association."

Dean can be reached at 605-220-4219 or [dfranzen@sdba.com](mailto:dfranzen@sdba.com). ■■■

Mike Feimer is president of South Dakota Bankers Insurance & Services, Inc. in Yankton. Feimer can be reached at 605.660.2341 or [mfeimer@sdba.com](mailto:mfeimer@sdba.com).



# SDBA Unveils BankTalentHQ

## Post Your Bank's Jobs for Free for a Limited Time

**F**inding and keeping top talent is high on the list of the many challenges South Dakota banks face. The SDBA hears over and over from its members about how difficult it is to attract quality employees and that the pool of available candidates has shrunk exponentially over the last decade due to a number of factors, including changing demographics, negative press and increasing regulations. The solution is BankTalentHQ.

BankTalentHQ is designed as a talent management resource for the financial industry and is brought to you by the SDBA in partnership with other state banking associations across the country. BankTalentHQ is the premier talent management site for financial industry careers.

"The banking industry was lacking a dedicated and focused, full-service talent management site, and that's what BankTalentHQ brings," said SDBA President Curt Everson. "BankTalentHQ will connect top talent—including candidates who currently are outside the industry—to your institution. It will be the one stop shop for your talent management needs."

The main focus for the website, located at [www.banktalenthq.com](http://www.banktalenthq.com), will be the job board, which will allow you to post job openings for your institutions, with the ability to purchase a single 30-day post or a discounted posting package to fill multiple vacancies. It will also allow internships to be posted at a discounted rate. Ancillary services currently being offered include industry news and articles, resume writing, career learning center and coaching.

To make the site even more robust and tailored

for your institution, additional services like career paths, job summaries, executive recruitment and outplacement are in development.

BankTalentHQ will be marketing to ideal candidates outside of the industry to pique their interest in banking careers—the key to driving additional talent into the financial services industry. The intent is to show the full scope of available jobs, from operations and human resources to financial management and marketing. Financial services is an exciting industry with countless opportunities, and BankTalentHQ will help that excitement resonate with potential candidates, drawing them into the industry.

As an introduction to this new resource, the SDBA is currently offering member banks and associate members an unlimited amount of 30-day job postings on BankTalentHQ for free until the end of the year. Once you register as an employer at [www.banktalenthq.com](http://www.banktalenthq.com), the promotional code is LAUNCHSD18. You can then post unlimited, complimentary, 30-day postings until the end of 2018. To post multiple job openings, contact BankTalentHQ at [info@banktalenthq.com](mailto:info@banktalenthq.com) to find out how they can upload them for you.

While the SDBA is offering BankTalentHQ as a national job posting resource, the SDBA will continue to offer its classified service on the SDBA's website and in SDBanker Magazine. Once BankTalentHQ's free promotion ends, the SDBA will waive its \$50 classified posting fee if you also place the listing with BankTalentHQ. Questions, contact the SDBA's Alisa Bousa at 605.224.1653 or [abousa@sdba.com](mailto:abousa@sdba.com). ■■

# SDBA Working to Grow South Dakota's Future Bank Leaders



Bankers at the SDBA's emerging leaders networking meeting held last fall in Humboldt.

**T**he SDBA has embarked on an exciting effort to build and deepen the connection of the next generation of banking leaders.

Last fall, the SDBA held a series of regional networking meetings across the state to discuss how the SDBA can engage and connect with the next generation of emerging leaders in the industry.

From there, the SDBA formed an Emerging Leaders Work Group to identify specifics for emerging leader programming and develop a marketing plan to support and promote the idea. The work group has developed a marketing strategy around this effort and crafted the following mission statement and objectives.

## MISSION STATEMENT

To grow South Dakota's future bank leaders

## OBJECTIVES

- **Cultivate:** Increase emerging bank leaders' knowledge and understanding of the SDBA and topics of interest to the banking industry.
- **Connect:** Provide opportunities for emerging bank leaders to network and exchange ideas with other industry professionals.
- **Engage:** Promote involvement and advocacy at the local, state and federal levels.
- **Empower:** Encourage emerging bank leaders to find and express their voices within their organizations, communities, SDBA and banking industry.

## Emerging Leaders Work Group

### Chair

Jesse Block, First Fidelity Bank, Platte

### Vice Chair

Tony Nour, First PREMIER Bank, Sioux Falls

### SDBA Board of Directors Liaison

Kristina Schaefer, First Bank & Trust, Sioux Falls

### Bank CEO Mentor

Steve Hayes, Dakota Prairie Bank, Fort Pierre

### SDBA Staff

Halley Lee, SDBA, Pierre

Alisa Bousa, SDBA, Pierre

- Don Greiner, First Bank & Trust, Brookings
- Josh Horak, First Interstate Bank, Spearfish
- Lexi Inghram, Dacotah Bank, Bison
- Adam Kniffen, First Bank & Trust, Sioux Falls
- Joseph Lutter, Heartland State Bank, Redfield
- Derek Nolan, Rivers Edge Bank, Parker
- Erica Sundall, Dakota Prairie Bank, Presho

As banks work on strategic planning at budget time, the SDBA asks that they consider including emerging leader programming in their discussions. The SDBA is planning to provide emerging leader-specific programming in conjunction with the following events in 2019:

- SDBA State Legislative Day, Feb. 13, Pierre
- SDBA/NDBA Annual Convention, June 2-4, Sioux Falls

The SDBA is also looking to expand the list of emerging leaders in its database. If you don't currently receive information on SDBA events but would like to, request an SDBA profile at [www.sdba.com](http://www.sdba.com). Once you have a profile, you can also receive publications such as the digital SDBanker Magazine, weekly SDBA eNews, Education Update, protective alerts and communications during the State Legislature.

Questions, contact the SDBA's Halley Lee at 605.224.1653 or [hlee@sdba.com](mailto:hlee@sdba.com). 📱

# SDBA to Hold IRA Basics Seminar

**T**he SDBA will hold the IRA Basics Seminar on Dec. 13, 2018, in Sioux Falls at the Ramkota Hotel.

The seminar gives attendees a solid foundation of IRA knowledge. Real case problems and examples are included throughout the day to help participants apply information to job-related situations. Attendees will leave this session able to work with IRA holders and process basic IRA transactions with confidence.

The IRA Basics Seminar is intended for all new IRA staff, people who are in a backup position, or an IRA support person wanting to stay current. This is also a great review course for those that have been away



from IRAs for a couple of years.

This course goes in a logical order from opening an IRA, to talking about contribution rules, then on to distribution rules and regulations, which includes RMDs and death distributions. The course will also address moving money as a transfer or rollover.

Course highlights include:

- Introduction to IRAs
- Establishing an IRA
- Funding
- IRA Distributions
- Portability
- Reporting

Instructor Mike Nelson taught marketing for 13 years at Central Lakes Community College in Brainerd, Minn., before starting JM Consultants. He conducted insurance, real estate and securities training seminars and developed financial training services for financial institutions. JM Consultants offers all IRA products and services.

To learn more and register, visit [www.sdba.com](http://www.sdba.com).

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Chuck Parsons at (605) 335-5266 or [crparsons@fnbsf.com](mailto:crparsons@fnbsf.com).**

# SHATTERED Myths of Banking

By Achim Griesel, Haberfeld



**B**anking has more customer data than about any other industry. We know financial and personal information and how customers spend money. With data, we can understand behavior patterns for millions of people.

As bankers, we go to conferences and look for the next silver bullet but ignore what happens in our own customer base. We love buzz words and talk about big data, machine learning and AI, but base our conclusions on personal opinions or small surveys while we have access to data, actual transactions and behavior patterns for millions.

To disregard this verifiable data in favor of notions we think we understand eventually allows myths, like the five below, a place in decision-making. That can be detrimental to a community financial institution. How do you spot these myths and what should you do? Read on.

## Myth #1: For Millennials and Gen Z, digital is the only thing that matters.

A Celent study, recently posted to The Financial Brand, showed that Millennials and Generation Z adopted online and mobile banking at a higher rate than older customers, but had a clear preference for visiting branches for some transactions—just as much as the older segment. That seems to explain in part a recent analysis showing that in the last five years, Google searches for physical bank locations doubled. To all generations, it seems, the branch is still essential.

To attract younger customers, you need a balanced acquisition strategy and good solutions in-branch and online. It's true for delivery as well as marketing channels.

Data from more than 2,500 branches of community-based financial institutions shows a multi-channel approach could attract about 10 percent more

of the younger market segment than represented in a footprint.

Our belief is you can attract younger segments, and win their loyalty, with an omni-channel approach, a core relationship and low-cost deposit acquisition strategy and a simple desire to grow.

## Myth #2: The branch is dead.

The branch isn't dead nor have digital channels failed to meet customer's expectations; customers simply want choices.

According to the Celent study, customers prefer the branch for more complex relationship-based activities, but handle simple, more transaction-based activities online. Overall, fewer than 10 percent of customers prefer only digital.

This is right in line with what we've discovered at Haberfeld. For 73 percent of customers, the first product is the checking account. Over the last few

years, we have tracked online and in-branch opening stats at more than 300 community financial institution branches. In this sample of more than 500,000 core relationships, at institutions allowing account openings online, 95 percent of new relationships were started in branch. Channels as well as choices are important!

## Myth #3: To gain core deposits, you need to offer a higher rate.

Higher rates get more deposits, but is that the best way to grow? Attracting rate-sensitive customers is a risky approach in today's rising-rate environment. Data from community-based financial institutions representing more than 2,500 branches in the U.S. shows you can grow core deposits even without a rate. Few of these 2,500 branches offered an above-market rate, yet grew core deposits at twice the industry pace.

The key to sustainable core deposit growth, for core relationships as well as time deposit money, is a balanced strategy that includes a good sales process.

*Continued on next page.*



## Myth #4: Increasing fees does increase fee income.

There are several ways to increase your non-interest income, but raising or implementing fees is the least sustainable. It leads to higher attrition, fewer customers and less fee income.

Value-added accounts that offer services for a fee may be a good solution for the 10 to 20 percent of customers willing to pay. If you push customers into this type of product, attrition increases and long-term fee revenue suffers. Attrition with these products can be as much as three times the average. You can offer services with associated fees, but it provides limited growth. For sustained growth, a better option is to expand your customer base.

## Myth #5: We can focus on the business segment only.

There are quite a few mid- to large-size banks focusing only on business customers. The reason: a business relationship is four times more profitable than a consumer. But, when we analyzed about 500,000 business relationships, we found some interesting correlations:

- For 55 percent of businesses, the checking account is the product initiating the relationship.

- For 31 percent of business customers, the consumer account was the first relationship with the financial institution.

That means one third of all business accounts come from a consumer relationship. So, if a community financial institution only chases business customers, it's limiting profitability. This may work for large financial institutions, with thousands of customers per branch, but not community financial institutions with branch capacity to spare.

Today, customer experience and convenience is defined differently. As an industry, we need more to earn trust and build relationships. The branch is one channel, but we need to serve customers well in all channels. An omni-channel approach in delivery as well as our marketing is key to our long-term growth and success. ■■■

Achim Griesel is president at Haberfeld, a data-driven consulting firm specializing in core relationships, customer and profitability growth for community-based financial institutions. An SDBA associate member, Haberfeld is based in Lincoln, Neb. Griesel can be reached at [agriesel@haberfeld.com](mailto:agriesel@haberfeld.com) or 402.323.3793. Or visit [www.haberfeld.com](http://www.haberfeld.com).

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Employees from First Bank & Trust had a strong showing at the SDBA's Women in Banking Conference.

## SDBA's First Women in Banking Conference a Huge Success

**T**he SDBA's Lead Strong: Women in Banking Conference held Oct. 2, 2018, in Sioux Falls was a huge success with more than 230 women from across the state in attendance.

"Thank you for such an amazing event," commented Angela McCoy, American Bank & Trust, Sioux Falls. "Each speaker was so inspiring! One of the best conferences I have attended!"

Dr. Susan Kalsow from Bank Midwest, Spirit Lake, Iowa, kicked off the event speaking about fierce female leadership.

Next, Laurie Knutson, an independent contractor from Sioux Falls, spoke about the importance of personal branding.

Dusty Pinske with First Interstate Bank, Sturgis, talked about self confidence, why it's important and how to find it.

Laurie Stewart, ABA chairman-elect and president/CEO of Sound Community Bank in Seattle, Wa., shared her personal stories on how

trying again and again can pay big dividends.

The day also included TED talks by Dr. Ashley Podhradsky from Dakota State University in Madison and by Dr. Kalsow. The day concluded with a women in banking panel discussion covering a wide range of topics.

"This was the most start-to-finish captivating conference I have been to in years," said Joan Larson with Richland Loan Processing Center in Sioux Falls.

As part of the conference, the SDBA collected donations for Dress for Success, whose mission is "to empower women to achieve economic independence





The service project for this year's conference was collecting donations for Dress for Success in Sioux Falls.

by providing a network of support, professional attire and the development tools to help women thrive in work and life."

A shout out to attendees who brought professional attire to donate. The SDBA delivered three van-loads of donations to Dress for Success in Sioux Falls. Thank you to our bankers for your generosity and lending a hand to support other women so they can land jobs that could change their lives.

Also, thank you to the following sponsors of this year's conference:

- American Bankers Association
- Bank Midwest
- Bell Bank
- Dacotah Bank
- Eide Bailly LLP
- First Bank & Trust
- First Interstate Bank
- Rivers Edge Bank

Be watching for the dates of next year's Women in Banking Conference. 📅



Mary Matthies with DNB National Bank in Clear Lake brought a few outfits to donate to Dress for Success.



Susan Kalsow with Bank Midwest in Spirit Lake, Iowa, filled the van with all of her donations for Dress for Success.

*Callie Schlieman*  
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Sturgis.



Panelists Melissa Hood, Black Hills Community Bank,  
Rapid City, and Kathy Thorson, MetaBank, Sioux Falls.



Panelists Marcia Honomichl, formerly with Commercial  
State Bank, Wagner, and Jodi Eich, Rivers Edge Bank,  
Parker.

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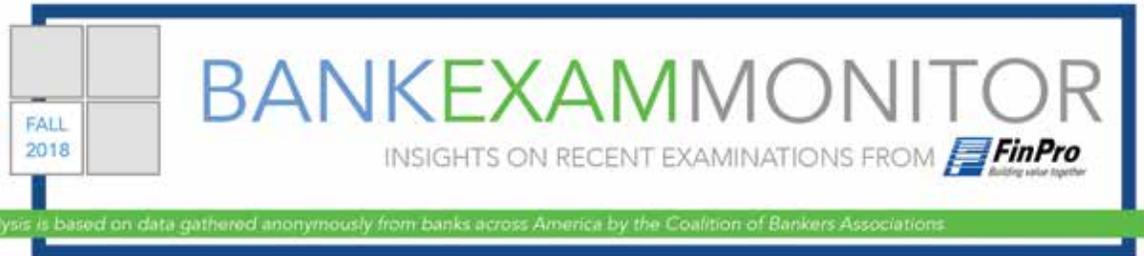


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By Scott Polakoff, FinPro, Inc.

**Note:** The Coalition of Bankers Associations has released the first Bank Exam Monitor, *Insights on Recent Examinations* report below created by its Regulatory Feedback Initiative strategic partners at FinPro.



**R**egulatory examinations continue to be tilted toward liquidity risk with stress testing, interest rate risk with a flattening yield curve, asset quality concerns in a highly-competitive environment and corporate governance. The examiners persist in their apprehension with the length of this economic expansion and the possibility of a downturn over the next 12 to 24 months. Strategic planning remains the road map to planned performance, and the examiners expect to see quarterly assessments of actual to budget results documented in Board of Director minutes.

## Liquidity Risk and Stress Testing

Let's start with the easy part . . . examiners want to see every bank stress test its liquidity position under a "less than well capitalized" scenario. This analysis must be completed in a "stagnant" environment. The adverse impact to such a stress test is obvious: banks cannot offer "high rate" deposits and banks cannot (without FDIC approval) use brokered deposits. Remember, these are two separate issues. As an example, even if the FDIC grants a brokered deposit approval, such deposits cannot be "high rate."

**RECOMMENDATION #1:** Due to this expected stress test, banks should determine if they operate in a "high rate" area. The analysis is prescriptive and not overly complex, so banks would be well served to perform this assessment and maintain documentation for examiner review.

**RECOMMENDATION #2:** Banks would also be well served to calculate their local rate cap. Again, this analysis is not overly complex but is quite helpful in working with examiners through both the liquidity risk

analysis and stress testing mitigation strategy.

Now to the more complicated part of liquidity risk. Examiners expect banks to distinguish their funding base into the relevant core, non-core and wholesale categories. There are a number of important nuances to consider when executing on this segregation. First, and as previously mentioned, management should be prepared to share with the examiners their analysis of deposits that exceed the local rate cap and those deposits that exceed the national rate cap. These distinctions could result in the placement of some small deposits, normally captured in the core bucket, into the non-core bucket. Second, management should have a developed strategy on how the bank uses technology to attract deposits, which will contribute to the determination of whether such funds are core or non-core.

More importantly though, banks need to have a mechanism to distinguish which funding sources (e.g. core, non-core or wholesale) are stable versus volatile. There are multiple factors that must be considered in this distinction of stable funding, depending on whether such funds are wholesale, non-core or core. The resultant calculation ultimately allows the bank to accurately assess its reliance on volatile funds to support longer-term assets, an area that receives significant scrutiny in recent examinations.

**RECOMMENDATION #3:** Using supportable and documented data, banks should break down their funding base (core, non-core, wholesale) into stable and volatile categories.



**RECOMMENDATION #4:** Banks should establish appropriate policy thresholds for wholesale funding, high-cost deposits, municipal deposit, brokered deposits, volatile funding, etc.

While the regulators have not established specific mandates, the Regulatory Feedback Initiative (RFI) feedback shows that banks with on balance sheet liquidity in excess of 10 percent avoid regulatory criticism. Since this analysis removes pledged (even if unencumbered) securities from the calculation, banks should carefully assess the best strategic alternatives when collateral is required.

**RECOMMENDATION #5:** Whenever possible, banks should use the Federal Home Loan Bank (FHLB) LOC product to secure municipal deposits.

**RECOMMENDATION #6:** Since liquidity is under such intense examination scrutiny, banks should pledge the maximum amount (as determined by its risk appetite statement) of their loan portfolio to the FHLB regardless of their perceived borrowing needs. The availability of the borrowing capacity is heavily scrutinized by the examiners as part of their liquidity risk analysis.

## Interest Rate Risk with a Flattening Yield Curve

Examination data suggests that regulators are focused on a number of risks within this category. First, and most obvious, is whether Boards have appropriately established acceptable risk parameters for positive and negative interest rate shocks to both 12 and 24-month net interest income (NII) as well as the economic value of equity (EVE).

Next, and equally obvious, is whether banks are operating within the risk thresholds established by the Board. Remember that this analysis should initially be performed in a "static" environment, but well-managed banks also must assess risks and strategic options in a "dynamic" environment.

Examination scrutiny in the sensitivity analysis tends to be focused on the key assumptions: beta, decay and prepayment speeds. These assumptions need to be well documented and clearly captured in ALCO committee reports and Board meetings.

**RECOMMENDATION #7:** Banks must regularly "back test" their financial performance and establish acceptable variance metrics to assess the reasonableness of their key assumptions. These key assumptions should also undergo a stress test at least annually.

**RECOMMENDATION #8:** The bank's interest rate risk policy should clearly identify the bank's risk appetite (e.g. policy limits) in balancing product duration for yield in the current flattening curve environment.

## Asset Quality Concerns

Examiners seem to be questioning how long this economic expansion will continue and the potential impact to the quality of the loan portfolio when a downturn occurs. There is no evidence in RFI Survey results that examiners are predicting a recession, instead only raising the concern and investigating whether banks have strategically considered "what if" scenarios.

There is regulatory concern regarding the competitive environment for quality loans. A focus on loan policy exceptions, covenant exceptions and pricing exceptions is evident throughout survey results. Examiners are also spending a significant amount of time reviewing loan terms, often questioning the reasonableness of non-recourse loans and interest-only loans. Cash-out refinancing remains a "hot button" with examiners.

Speculative construction lending is under intense review. Loan stress testing is critical both at underwriting and for an ongoing assessment of overall portfolio credit risk. Complete analysis of loan portfolio concentrations is critical and should be analyzed at both the industry and product level. Documentation is critical.

**RECOMMENDATION #9:** Banks should review their loan policy to ensure it covers all lending segments and establishes appropriate risk parameters. For example, if a bank is underwriting speculative residential construction then the loan policy should identify meaningful parameters, risk thresholds such as concentration limits to one builder, etc.

**RECOMMENDATION #10:** Banks must document all loan policy exceptions and covenant/pricing exceptions and report to the Board at least quarterly. Board minutes should comprehensively document such discussions.

**RECOMMENDATION #11:** Banks should identify and document "leading indicators" of asset quality concern. As previously mentioned, such indicators could include policy or covenant exceptions.

**RECOMMENDATION #12:** Examiners want to see identified and tested "exit strategies" for loan concentration buckets. In other words, how will banks predict when the music stops and how effective can the banks execute on the strategic shift. ■■■

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Scott Polakoff is executive vice president of FinPro, Inc. He joined FinPro to co-lead its regulatory practice after serving more than 22 years with the Federal Deposit Insurance Corporation (eight years as the Chicago regional director) and four years with the Office of Thrift Supervision as its chief operating officer. Polakoff can be reached at 908.234.9398. For more information on the Regulatory Feedback Initiative, visit [www.allbankers.org](http://www.allbankers.org).

# Proper Disposal of IT Assets

By Levi Hentges, Secure Enterprise Asset Management (SEAM), Inc.



**J**ust a few decades ago, IT asset disposition (ITAD) wasn't on the average business's radar. But today, advances in technology have put the issue front and center. The vast majority of companies now rely on some form of computer technology, from cell phones, to POS systems, all the way up to complex databases.

Although proper planning can allow you to continue using the same equipment for years, eventually an upgrade to more advanced hardware is necessary if you want to stay competitive and serve the needs of your clients and your business operation. This means disposing of old assets, and if you fail to do so properly, you could end up in hot water.

This is especially true for companies in the financial services sector, where confidential client information must be tightly guarded to keep up with a slew of consumer privacy laws. How can your company prepare for secure IT asset disposition to properly protect client information?

## 1. Know the rules.

When it comes to consumer privacy protection, you may find yourself beholden to federal, state and local laws, as well as industry-specific regulations. For example, those working in medical fields must adhere to HIPAA regulations that don't necessarily affect other industries. Those in the financial services sector, on the other hand, may have to comply with rules and regulations like the Fair and Accurate Credit Transactions Act (FACTA) to protect against identity theft.

The laws governing consumer privacy have stipulations regarding data destruction, including the disposition of assets containing sensitive consumer data. You must understand these rules and comply with them (or even exceed standards) in order to protect consumers and avoid penalties. You will find it's easiest to partner with a certified ITAD service provider that is trained to comply on your behalf.

## 2. Understand your options.

When it comes to IT asset disposition, such as destroying hard drives, you have two options. The first is outright destruction, whereby hard drives are physically shredded to ensure there is no possible



way to recover data. The other is to have hard drives thoroughly wiped, refurbished and prepared for resale to help you recoup some cost. With the help of a certified ITAD service provider, either of these options will protect your data.

## 3. Plan for a smooth data migration.

Any time you're thinking of upgrading to new equipment, you'll need to move data from the old system to the new one. This could throw a wrench in your operations without proper planning. Determine how and when you're going to transfer data and have a backup plan in place if things go wrong, including a complete data backup for restoration, as well as disaster recovery.

## 4. Partner with a trusted ITAD service provider.

There's no need to go it alone when it comes to ITAD preparation. With the help of a trusted and reliable service provider like SEAM, your financial services business has the best chance to comply with applicable regulations, protect consumer data and meet environmental standards for e-waste disposal. Contact SEAM today at 605.274.SEAM (7326) to learn how they can help. 📞

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Levi Hentges is director of business development for Secure Enterprise Asset Management (SEAM), Inc., in Sioux Falls. An SDBA associate member, SEAM specializes in local, secure and responsible solutions for obsolete and end-of-use computer and technology equipment. For more information, contact Hentges at 605.274.7326 or [levi@seamservices.com](mailto:levi@seamservices.com). Or visit [www.seamservices.com](http://www.seamservices.com).

## Cornerstone Bank Welcomes Bergstrom and Roemeling



Dan Bergstrom

**D**an Bergstrom has joined Cornerstone Bank as an AVP/personal banker in Sioux Falls. Originally from Rosholt, Bergstrom holds a double degree in economics and ag business banking from South Dakota State University. He brings more than 36 years of banking experience. Bergstrom currently lives in Sioux Falls with his wife.



Mary Roemeling

Mary Roemeling has joined Cornerstone Bank as a customer service representative in Sioux Falls. Originally from Sioux Falls, Roemeling holds a degree from Nettleton College. Roemeling brings with her a background in banking and administration.

Cornerstone Holding Company, based in North Dakota, is the parent company of Cornerstone Bank. One of North Dakota's 10 largest financial institutions, Cornerstone Holding Company is an \$855 million financial institution. Cornerstone Bank has 13 locations in North Dakota and South Dakota. ■■

## U.S. Bank Receives Community Commitment Award

**T**he ABA Foundation recognized six banks for their outstanding



commitment to their communities, including U.S. Bank for affordable housing.

The ABA Community Commitment Awards, presented on Oct. 23 during ABA's Annual Convention in New York, are given in six categories to honor innovative, high-impact bank programs and projects that produce lasting results in the communities they serve. Categories are: affordable housing, community and economic development, economic inclusion, financial education, protecting older Americans and volunteerism.

U.S. Bank, headquartered in Minneapolis, was recognized for its American Dream Home Loans program. The program offers solid and ethically-priced loans for low-to-moderate income borrowers to help them become homeowners. In 2017, nearly 700 households utilized this program to realize their dream of homeownership, resulting in nearly \$48 million in mortgages helping to revitalize communities across the U.S. Bank footprint.

First National Bank of Omaha received honorable mention for affordable housing, and Wells Fargo Bank received honorable mention for economic inclusion. ■■

## Doreen Hauptman Celebrates 40 Years at First Fidelity Bank

**D**oreen Hauptman, a loan secretary at First Fidelity Bank in Murdo, was honored for her service and commitment to First Fidelity Bank for 40 years.

Hauptman has worked many positions at the bank including proof operator, teller and loan secretary.

"It's been crazy to watch how banking technology has changed so much over the past 40 years," she said.

Oct. 16 marked Hauptman's 40th anniversary with the company. She said she is thankful for the Lillibrige family and her First Fidelity family.

First Fidelity Bank thanks and congratulates Hauptman on her years of service and accomplishments. ■■



## David Lenoir Chosen to Lead CRA Partners

**C**RA Partners and the Senior Housing Crime Prevention Foundation (SHCPF) have named David Lenoir as chairman, president and CEO.

Lenoir comes to CRA Partners fresh off a closely contested Shelby County, Tenn., mayoral race. He brings more than 20 years of leadership and executive management experience within the financial services industry in the municipal government, corporate and non-profit sectors.

For the past eight years, Lenoir served as Shelby County Trustee, where he was responsible for \$3 billion in banking activities for Shelby County Government and Shelby County Board of Education.

The SHCPF mission is to provide protection and an enhanced quality of life for vulnerable senior housing residents through meaningful turnkey CRA compliance for community focused banks. ■■



**Ag Banker, Dacotah Bank, Lemmon, S.D.**

Dacotah Bank is seeking an experienced, self-motivated individual to join our team as an ag banker in our Lemmon, S.D., office. The successful candidate should have five-plus years of ag lending; strong relationship management and interpersonal skills; commitment and enthusiasm for community banking; experience managing a diverse portfolio, and be a team player. Responsibilities of this position include: managing relationships with community banking ag customers, prospect and develop new customer relationships, and retain and expand existing customer relationships. We offer an excellent benefits package, a competitive salary and an enjoyable work environment. Apply online at: [dacotahbank.com/careers](http://dacotahbank.com/careers). Dacotah Bank is an Equal Opportunity Employer of women, minorities, protected veterans and individuals with disabilities. ■

**Bank Accountant/Senior Analyst, Security State Bank, Chancellor, S.D.**

Security State Bank is a leading agriculture and small business bank in eastern South Dakota and southwestern Minnesota. We have an opportunity for a bank accountant/senior analyst to join our dynamic team. The position will be located at our office in Chancellor, S.D. This is a great opportunity for a highly-motivated individual to make a big impact in our fast paced, growing organization. In your role you will: conduct extensive independent credit analysis on existing and new clients in association with senior bankers; comprehensive credit administration supervision; review customer accounts/portfolios in order to identify credit quality issues; conduct specialized analysis and prepare specialized reports on loan quality/portfolio quality; perform economic and industry analysis, financial projections and risk assessments. Competitive salary and benefits package. Qualifications: bachelor's degree in accounting and finance; five years of accounting experience; excellent analytical, problem solving and attention to detail skill set; self-motivated-self starter; agricultural background preferred. EOE. Submit credentials and compensation requirements to: John J. Baumiller, President, [johnbaumiller@banksecuritystate.com](mailto:johnbaumiller@banksecuritystate.com). ■

**Banking Assistant, Plains Commerce Bank, Mitchell, S.D.**

Plains Commerce Bank is looking for an experienced, energetic, self-motivated person to fill a full-time banking assistant position at its Mitchell location. Qualities of a successful candidate include: a positive attitude and ability to work in a team environment, familiarization with loan documentation and basic computer skills with ability to learn new programs, with prior bank experience preferred. Responsibilities of this position include (but not limited to): providing administrative support to loan officers, assuring high quality customer service, being responsible for maintaining file documentation, assisting with personal

banking duties or teller duties, and all other duties required to support the loan department of the bank. We offer a competitive compensation and benefits package. Visit [www.plainscommerce.com/careers](http://www.plainscommerce.com/careers) to apply. Member FDIC. Equal Housing Lender. ■

**Commercial Banker, Security State Bank, Chancellor, S.D.**

Security State Bank is a leading agriculture and small business bank in eastern South Dakota and southwestern Minnesota. We have an opportunity for a commercial banker to join our dynamic team. The position will be located at our office in Chancellor, S.D. This is a great opportunity for a highly-motivated individual to make a big impact in our fast paced, growing organization. In your role you will: prospect and secure new commercial and agriculture loan and depository relationships, conduct extensive independent credit analysis on new and existing clients in association with a credit analyst team member; comprehensive credit administration supervision; review customer accounts/portfolios in order to identify credit quality issues; conduct specialized analysis and prepare specialized reports on loan quality/portfolio quality; perform economic and industry analysis, financial projections and risk assessments. Competitive salary and benefits package. Qualifications: bachelor's degree in accounting and finance; five years of banking, sales or accounting experience; excellent analytical, problem solving and attention to detail skill set; self-motivated-self starter; agricultural background preferred. EOE. Please submit credentials and compensation requirements to: John J. Baumiller, President, [johnbaumiller@banksecuritystate.com](mailto:johnbaumiller@banksecuritystate.com). ■

**Compliance Officer, Security State Bank, Chancellor, S.D.**

Security State Bank has an opening for a compliance officer located in Chancellor, S.D. This is a great opportunity for a self-motivated, progressive individual to direct and coordinate compliance for our three bank locations. The successful candidate will manage and administer the bank's compliance risk management program in all banking areas; review and update policies and procedures annually; perform staff training/education; and be responsible for all BSA/AML functions. Qualifications: Four-year college degree and a minimum of five years related experience; strong verbal, written and interpersonal communication skills; strong analytical skills and detail orientation; good organizational skills; and high level of focus and accuracy. This position will give you an opportunity to join a progressive banking organization that offers a competitive salary and benefits package including 401(k) plan, health, life, dental and vision benefits. Successful applicant must pass pre-employment screening including credit history and criminal background check. EOE. Please submit credentials and compensation requirements to: John J. Baumiller, President, [johnbaumiller@banksecuritystate.com](mailto:johnbaumiller@banksecuritystate.com). ■

If you have a job opening at your bank or something to sell, send your classified listing via email to [abousa@sdba.com](mailto:abousa@sdba.com) and we will post it on the SDBA website and print it in the South Dakota Banker Magazine. The fee is \$50 per ad (200 word limit) for SDBA members or \$100 per ad (200 word limit) for non-members. Questions, call Alisa Bousa at 605.224.1653.

## community corner.....



Employees with The First National Bank in Sioux Falls participated in Rake the Town.



First Fidelity Bank employees in Burke donated \$5 for the opportunity to wear jeans to work. Funds went to the Gregory County Hope Society, which help people in the county with cancer and other medical expenses.



First Interstate Bank employees in Rapid City volunteered with the Black Hills Area Habitat for Humanity during the bank's 2018 Day of Service.



Quoin Financial Bank employees Jerry Peterka, Kevin Blackwell, Gail Zeller and Connie Zemlicka from Miller volunteered with Feeding South Dakota.

## classifieds.....

### **Loan Officer, First Fidelity Bank, Platte, S.D.**

First Fidelity Bank, Platte, S.D., has an opening for an agricultural/commercial/consumer loan officer. The successful candidate should have strong communication, financial analysis, decision-making and organizational skills. Responsibilities include developing and maintaining a quality loan portfolio, analyzing financial information, preparing and presenting loan requests, performing inspections, and maintaining loan files and documentation. The successful candidate will also be expected to represent and promote the positive image of the bank through involvement in the community. First Fidelity Bank offers a competitive compensation and benefits package. Please submit resume to David Nelson, First Fidelity Bank, PO Box 450, Platte, SD 57369 or email to davidnelson@ffb-sd.com. First Fidelity Bank is an Equal Opportunity Employer. All qualified applicants will receive consideration for employment without regard to race, color, religion, sex, national origin, protected veteran status, disability, or any other basis protected by applicable law. ■



Black Hills Community Bank in Rapid City participated in the United Way of the Black Hills Get the Pack Back day by taking its firetruck to deliver its pledges.

# Seminars/Conferences/Webinars/Schools

## SDBA EVENTS

### Call Report Seminar

Nov. 7, 2018 | Sioux Falls

### ABA National Agricultural Bankers Conference

Nov. 11-14, 2018 | Omaha

### IRA Basics Seminar

Dec. 13, 2018 | Sioux Falls

### SDBA 2019 State Legislative Day

Feb. 13, 2019 | Pierre

### IRA Update Seminar

Feb. 21, 2019 | Sioux Falls

### SDBA 2019 Agricultural Credit Conference

April 10-12, 2019 | Pierre

### SDBA/NDBA 2019 Annual Convention

June 2-4, 2019 | Sioux Falls

## WEBINARS

For a complete list of webinars, visit [www.sdba.com/webinars](http://www.sdba.com/webinars).

### Nov. 8, 2018

Loan Participations for Community Banks: Risks & Rewards

### Nov. 8, 2018

For Bank Managers: Build a No-Excuse Sales Environment

### Nov. 13, 2018

Controlling the Risks of Power of Attorney Documents

### Nov. 13, 2018

Violence in Your Workplace: Prevention & Response

### November 14, 2018

IRAs: Auditing and Compliance

### Nov. 14, 2018

Customer Identification Programs and Customer Due Diligence: Update

### Nov. 15, 2018

Living Trust Documents

### Nov. 15, 2018

Teller Compliance Issues: UCC 3 & 4 Issues, Reg CC and CTRs

### Nov. 19, 2018

Outsourced Third Party (Vendor) Management

### Nov. 20, 2018

TRID for Construction Loans

### Nov. 20, 2018

Cross-Selling Success at the Branch

### Nov. 26, 2018

Commercial Real Estate Lending: Cash Flow Analysis & Cap Rates

### Nov. 27, 2018

TRID Check Point—The 10/1/18 Rule Changes

### Nov. 27, 2018

Writing Deposit Operations Procedures

### Nov. 28, 2018

Agricultural Loan Documentation & Administration

### Nov. 28, 2018

A Lender's Guide to Understanding and Assessing Commercial Real Estate Leases

### Nov. 29, 2018

Top 50 Safe Deposit Procedures

### Nov. 29, 2018

SAR Decision Making

### Dec. 3, 2018

How to Analyze the Purchase of an Existing Business

### Dec. 4, 2018

Developing and Documenting a CRA Assessment Area

### Dec. 4, 2018

Basic Bankruptcy for Bankers

### Dec. 5, 2018

IRS Information Reporting: Rules and Forms

### Dec. 5, 2018

Loan Documentation 101: Two Part Series

### Dec. 5, 2018

Loan Documentation 101: Basic Secured Loan Documentation

### Dec. 6, 2018

Loan Documentation 101: Lien Perfection, Business Collateral

### Dec. 6, 2018

The Five Pillars of BSA

### Dec. 7, 2018

Excel 101: Introduction to Spreadsheets

### Dec. 10, 2018

Residential Construction Lending

### Dec. 11, 2018

Notary Public

### Dec. 11, 2018

New Account Interview Business Accounts: CIP, Risk and Beneficial Ownership

### Dec. 12, 2018

Quarterly Compliance Briefing: Winter 2018

### Dec. 12, 2018

Overdrafts

### Dec. 13, 2018

Information Security Program Frameworks

### Dec. 13, 2018

20 Legal Account Ownerships, Titles, Sample Signature Cards and Legal Documentation

## SCHOOLS

### GSB Bank Technology Management School

March 31-April 5, 2019 | Madison, Wis.

### GSB Human Resource Management School

April 7-12, 2019 | Madison, Wis.

### GSBC Executive Development Institute for Community Bankers

April 14-17, 2019 | Denver, Colo.

### GSBC Community Bank Investments School

May 19-23, 2019 | Denver, Colo.

### 2019 National School for Beginning Ag Bankers

June 24-27, 2019 | Spearfish

### Graduate School of Banking at Colorado

July 14-26, 2019 | Boulder Colo.

### Graduate School of Banking at Wisconsin

July 28-Aug. 9, 2019 | Madison, Wis.

### GSB Financial Managers School

Sept. 15-20, 2019 | Madison, Wis.

### GSB Sales and Marketing School

Sept. 29-Oct. 4, 2019 | Madison, Wis.

### GSB Bank Technology Security School

Oct. 6-11, 2019 | Madison, Wis.

For more details and to register for a training, visit the SDBA's online event calendar at [www.sdba.com/events](http://www.sdba.com/events). Or contact the SDBA's Halley Lee at [hlee@sdba.com](mailto:hlee@sdba.com) or 800.726.7322.

## Congratulations 2018 Graduates from South Dakota

We congratulate you on completing the rigorous 25-month program and joining the more than 23,000 alumni who have gone on to leadership positions in their organizations, associations and the financial services industry. Best wishes for continued success!



**Dillon Kjerstad**  
First National Bank in Philip  
Philip



**Joseph Lutter**  
Heartland State Bank  
Redfield

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## More than \$225,000 in Scholarships Available Annually

The South Dakota Bankers Association is pleased to offer scholarship opportunities to its member bankers through the Herbert V. Prochnow Educational Foundation, a supporting organization to the Graduate School of Banking at the University of Wisconsin – Madison. The GSB Prochnow Foundation offers nearly one quarter million dollars in scholarships every year to bankers who want to improve their careers and organizations through education.

Scholarships are distributed through the SDBA for the Graduate School of Banking and the GSB Human Resource Management School.

Apply today for a scholarship to attend a program at the nation's leading and most progressive banking school. **For details, contact Halley Lee at the South Dakota Bankers Association at [hlee@sdba.com](mailto:hlee@sdba.com).**

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# Fundamentals of Ag Banking

# 2019 National School for Beginning Ag Bankers

**June 24-27, 2019**

Black Hills State University  
Spearfish, South Dakota



Educate. Advocate. Grow.



The 2019 National School for Beginning Ag Bankers is an intensive school designed to train in all facets of agricultural lending with emphasis on credit analysis, credit scoring, risk rating, problem loans & group case study.

This school will be limited to 72 students. Visit [www.sdba.com](http://www.sdba.com).