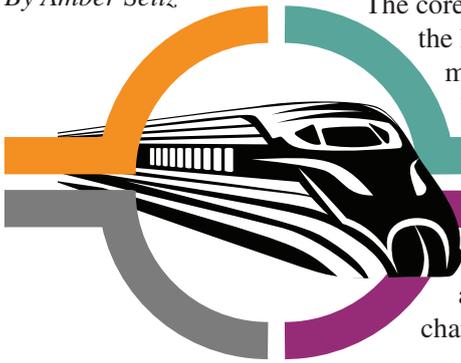


Strategic Core Conversions

Transitioning core products can help banks achieve strategic goals

By Amber Seitz



A bank's core system is the engine that drives the entire organization forward, pulling everything else behind it like the train cars of a locomotive... and sometimes to reach your destination you need to switch tracks.

The core is also one of the largest investments for a bank, both in

approached strategically. That is, with the bank's strategic goals in mind. "The strategic plan has to be first and foremost," said **Lynn Roche**, executive vice president of the banking division of integrated financial solutions at FIS. That is because the bank's core system is critical to achieving those goals. "A bank

for features in a core that best meet those goals or provide customized solutions where they can be introduced," explained **Susan Griffin**, strategic initiatives analyst, strategic initiatives group at Jack Henry & Associates, Inc.

Core conversions are massive, expensive operations and therefore

undertaking, it has to start with there being a key need," said **Andrew Spillane**, an attorney with Godfrey & Kahn, s.c. "There has to be a major motivation." Unsurprisingly, one of the top three motivations for switching cores is to obtain new capabilities or upgraded functionality, according to a 2016 Fiserv survey

terms of cost and impact, so changes must be

should have a clear understanding of their business goals and look

not done lightly. "Ultimately, because conversions are such an

of over 1,000 financial institutions.

(continued on p. 24)

Being Customer-Centric in the "Phygital" Age

Blend digital and physical interaction to engage customers and maximize ROI

By Amber Seitz

» 15% of bank customers are mobile dominant, up sharply from 10% a year ago.*

» 78% of consumers would bank with a tech firm like Amazon or Google.**

» Only 50% of consumers prefer to apply for a loan or deposit account in a physical branch.*



"Table Stakes"

It's easy to see how community banks may have drifted from their customer focus in the past few years. Not only has regulatory compliance burden forced more attention and resources to dotting I's and crossing T's, but technology's breakneck development pace has left no room for banks to catch their breath. "The rate of change over the past five to seven years has escalated dramatically," said **Laura Wiegert**, senior vice president – marketing at Investors Community Bank, Manitowoc and a member of the 2018-2019 WBA Marketing Committee.

The numbers are clear: banks need to invest in technology in order to meet the expectations of today's customers. But the pendulum may have swung too far in the tech direction. In their quest to keep up with fintechs and retail giants, community banks must remember what sets them apart: human connection.

(continued on p. 20)

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Help Wanted: Motivated Bankers Needed to Represent Our Industry

By David P. Werner

WBA and Wisconsin's banking industry need your help. The WBA Government Relations Committee (GRC)—the group of bankers responsible for formulating the association's legislative agenda and monitoring legislation that directly or indirectly impacts Wisconsin's banks—recently created a taskforce to come up with a strategic plan for WBA's advocacy efforts. That taskforce has a role for you, too... literally. They've created a detailed description of a new voluntary role that every bank in Wisconsin should fill: the Advocacy Officer.

You should have received a detailed description in the mail last month, but if you missed it, here are the highlights:



Message from the Chair

David P.
Werner

Read more about the **Advocacy Officer position in the Advocacy Update column on p. 6 of this issue.**

» The person you designate to fill the Advocacy Officer role should be one you can trust to coordinate legislative efforts within your bank by working with state, local, and federal government officials and WBA.

» The Advocacy Officer represents the bank in industry

legislative efforts. They rally the organization to help the industry meet legislative goals by communicating policy proposals within the bank and have a close working relationship with the Government Relations Committee of the WBA.

» As part of the voluntary role, the Advocacy Officer may perform research, manage internal and external communication, and contact various legislators and media outlets.

Every WBA member bank should appoint their Advocacy Officer as soon as possible. By formalizing this position, your bank will demonstrate a deep commitment to the health of the entire banking industry and a dedication to leadership. In addition, creating an

Advocacy Officer role at your bank gives you the opportunity to promote a talented up-and-comer and show them you're committed to their development as a future leader of the institution.

The association relies on contributions and active participation of its member bankers to help the industry tell our story to our elected officials. Don't let another industry—like credit unions—take the mic away from us. I encourage you to get involved by appointing an Advocacy Officer immediately, and by empowering them to be a leader within your institution.

Werner is president and CEO of Park Bank, Milwaukee and the 2018-2019 WBA Chair.

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▶ **Hashtags to Security Holds-Using Social Networking to Compromise Your Bank**

Steve Stasiukonis, Secure Network Technologies

▶ **FinTech/RegTech – What You Need to Know**

Girish Ramachandra, WIPFLI

▶ **Workshops and Peer Group Networking**

▶ **Cybersecurity: Protect Your Bank Through Technology and the Law**

Bruce A. Radke & Martin McElligott, Polsinelli LLP

▶ **Ninety Seconds to Impact!**

Doreen Welsch, AviationSpeakers.com

Register online at: www.wisbank.com/secure

▶ **Schedule**

Tuesday, Sept. 25 – 8:30 a.m. - 6 p.m.
Wednesday, Sept. 26 – 7:30 a.m. - Noon

▶ **Registration** – \$350 for your bank's first attendee. Subsequent attendees are \$300 per person.

▶ **Questions** – Please direct questions to WBA's **Nick Loppnow** at 608.441.1208 or via e-mail at nloppnow@wisbank.com.

▶ **Hotel Accommodations** – Contact the Kalahari Resort directly at 877.525.2427 and ask for the special WBA Secur-I.T. (Group Code: 39933) rate of \$114.00 plus applicable taxes. Room rate and availability not guaranteed after August 25, 2018.

EXPLORING BANK OPERATIONS, SECURITY, AND TECHNOLOGY.

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Wisconsin Act 340 Eliminates Escrow Requirement

Escrow accounts for loans originated after April 18 no longer require interest payments

Are Wisconsin Financial Institutions Required to pay Interest on Escrow Accounts for Loans Covered by a First Lien Mortgage or Equivalent Security Interest in a 1-4 Family Dwelling Used as by the Borrower as a Principal Residence?

Answer: Not after April 18, 2018. Wisconsin Act 340 includes a provision that eliminates the requirement that a financial institution pay interest on escrow accounts for residential mortgage loans originated on or after the effective date of the Act. Thus, a Wisconsin financial institution is not required by



Compliance Q&A

Scott Birrenkott

law to pay interest on any escrow account maintained in association with a loan originated on or after April 18.

Wisconsin Section 138.052 previously required financial institutions to pay interest on the balance on any required escrow accounts. 138.052 applies to loans secured by a first lien or first lien

Visit www.wisbank.com to learn more about this topic and other compliance-related issues.

equivalent in a 1-4 family dwelling that is used as the borrower's principal residence. Wisconsin Act 340 modified this requirement so that it only applies to loans originated prior to the effective date of the Act. So, financial institutions must continue to pay interest on escrow accounts they required prior to the effective date of Act 340. However, for any escrow account associated with a loan originated after the effective date of Act 340,

138.052 no longer requires payment of interest.

Wisconsin Act 340 can be found here: <https://docs.legis.wisconsin.gov/2017/related/acts/340>.

Birrenkott is WBA assistant director – legal. For legal questions, please email wbalegal@wisbank.com.

Note: The above information is not intended to provide legal advice; rather, it is intended to provide general information about banking issues. Consult your institution's attorney for specific legal advice or assistance.

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Thank You to Our Gold Associate Members!

WBA would like to extend a heartfelt *thank you* to all of our Gold Associate Members for 2018-2019. Through their purchase of a Gold Package membership with the association, these companies have demonstrated commendable dedication to serving Wisconsin's banking industry. Thank you!

WBA GOLD ASSOCIATE MEMBERS



New WDVA Program Connects Veterans with Jobs

Do you or one of your commercial customers have open positions to fill?

Wisconsin's unemployment rate is at a historic low point, and the national labor market is at or near full employment, too. Business across the state and the nation are struggling to find high-quality applicants to fill their record 6.7 million open positions.

If you (or one of your clients) are among them, the Wisconsin Department of Veterans Affairs (WDVA) has a grant program you might be interested in. The WDVA and the State of Wisconsin work to connect veterans with good, family-supporting jobs. One way they do so is by supporting those businesses that hire veterans.



The Veteran Employment Grant is an incentive program to support businesses hiring honorably discharged veterans with a 50 percent or more service-related disability.

The program provides up to \$5,000 to an employer that employs a qualifying disabled veteran full-time. Eligibility for the grant is contingent on the veteran's disability

rating as awarded by the U.S. Department of Veterans Affairs (VA). Part-time hires are eligible for up to \$2,500.

Veterans have qualities that every employer is looking for: leadership, the ability to work as a team leader and a team member, the ability to work under pressure and meet deadlines, the ability to give and follow directions, planning and organizational skills, commitment to working safely, and flexibility and adaptability.

Visit <https://dva.wi.gov/Pages/educationEmployment/EmploymentEmployers.aspx> to learn more or to apply for the grant.

Who's the Volunteer Advocacy Officer at Your Bank?

By Jon Turke

Last month, your bank should have received our Midyear Advocacy Appeal. During summer, we like to highlight those institutions who have already achieved Gold Triangle status for the year and remind others of the ways you can join in supporting our advocacy efforts. The other item you noticed in that letter was the section related to the creation of an Advocacy Officer in your bank.

Throughout 2018, a task force from WBA's Government Relations Committee has been working on strategic planning for our advocacy efforts. We are pleased to share one of the first of many concepts they are introducing: the **Advocacy Officer**. We highly encourage your participation by designating a volunteer



Advocacy Update

Jon Turke

staff member within your institution to fulfill this role. A detailed description was attached to the letter, but the person should be one you can trust to coordinate legislative efforts within your bank by working with state, local, and the federal government officials and WBA.

The Advocacy Officer coordinates legislative efforts for the bank by working with state, local, and federal governments as well as the WBA and other state or national trade groups. They

help the organization meet legislative goals by creating policy proposals and working with WBA's Government Relations Committee.

As part of the job, the Advocacy Officer may perform research, manage internal and external communication, and contact various legislators and media outlets. The Advocacy Officer may be asked to serve on the Government Relations Committee of either the state or national trade associations.

This list may look daunting at first glance, but the WBA will work with you every step of the way to make it easy for your bank to engage in advocacy.

Example of Suggested Duties and Responsibilities:

» Be registered with the WBA as the Advocacy Officer for the bank. Email jturke@wisbank.com to register.

» Keep informed of legislative and governmental issues that impact both the bank and the banking industry.

» Assist in carrying out the WBA Government Relations Committee Strategic Plans.

» Communicate quarterly with the bank's Board of Directors and Officers on state, local, and national issues impacting the industry.

» Coordinate at least one "Take Your Legislature to Work" event annually.

» Participate in the annual Capitol Day hosted by the Wisconsin Bankers Association.

» Coordinate annual fundraising activities for the WBA's ABW conduit and Wisbankpac for the bank's board of directors, officers, and employees.

(continued on p. 7)

Thinking about a new addition?

Increasing regulatory compliance costs, decreasing margins and intensifying competition have spurred merger and acquisition activity throughout the banking industry.

We're here to help you **grow** through it all.

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BAKER TILLY

Accountants and Advisors

The More Things Change...

MBS prepayments very stable in spite of Fed action

By Jim Reber

Community bankers, being conservative types (regarding their investment strategies, among other topics), like predictability. Equity markets, commodities, and the dreaded “D” word (derivatives) all are perceived by many to be far too volatile for their risk profile, whether we’re talking about personal or commercial investing. I would hasten to mention that risk aversion has served the community banking industry very well over time.

This brings us to this column’s topic. It’s been well-documented that mortgage-backed securities (MBSs) are very popular with investment managers. Currently, over half of all community bank investments are of the amortizing variety. Virtually all of these are issued or guaranteed by the government or its agencies, so the credit quality is very high. With interest rates rising, a lot of the



high premium prices of the last decade have dwindled, so that risk has pretty much abated. The corollary risk to rising rates (other than prices falling, of course) is that cash flow dries up.

Different This Time?

So far in this cycle, however, prepayment speeds haven’t shut down. It’s true that they’ve slowed, but most moderately seasoned MBSs are still paying down at about the same pace as a year ago. And let us be reminded that that Fed has hiked overnight rates 75 basis points (0.75%) during this time. What’s going on?

There are really several forces at play here. As the economy’s health has improved, so has the ability of homeowners to afford larger mortgages. There have been plenty of instances this year in

Advocacy Update

(continued from p. 6)

» Contact both state and federal legislators on emerging issues and encourage other bank personnel to do the same.

» When possible, attend events hosted by/for state and federal legislators and effectively communication issues impacting the banking industry. This may include fundraisers, town hall meetings, meet and greets, etc.

» Provide data and research to state and national trade associations on the impact regulations have on the bank.

» Be the liaison within the bank for communication of WBA advocacy actions and

initiatives to bank officers and board. Any other duties as assigned by the president/CEO.

Your contributions and active participation help the industry get its story out to elected officials. Do not let another industry—like credit unions—tell our story. We encourage you to get involved by developing working relationships with your elected officials, answering WBA’s call-to-action alerts when necessary, and contributing to WBA’s political action funds.

Thank you in advance for doing your part to protect and promote our industry.

Turke is WBA director – government relations.

MBS Performance History

ICBA Securities’ exclusive broker Vining Sparks publishes mortgage market prepayment commentary each month, including tables on recent performance for some of the more popular MBSs.

Visit viningsparks.com or contact your Vining Sparks sales rep for more details.

which a borrower has sold a home and purchased another, which results in the first mortgage being prepaid in full. That creates cash flow for the investor of the pool in which that loan resided.

Another factor is the (no surprise here) flattening of the yield curve. Although short-term interest rates have risen, and are at their highest levels in a decade, the longer durations have not kept pace, so that posted mortgage rates for both 15- and 30-year loans are still at affordable levels. As of this writing, 15- and 30-year posted rates are about 4.00% and 4.50%, respectively. The combination of these two factors has kept housing turnover, and thus prepayment speeds, very stable.

For Example

The two largest cohorts of the 15-year agency MBS market are the 2.5 percent and 3.0 percent coupon pools. They represent about 75 percent of all outstanding 15-year securities, which are staples of a community bank bond portfolio. These pools are collateralized with loans whose borrowers’ rates are not “in-the-money” to be refinanced, so there is almost no prepay activity going on at the moment related to refis.

In spite of this, prepayment experience has been surprisingly (and pleasantly) fast. The “speeds” for 2.5 percent pools

have run about 9 percent consistently for the last 12 months. The 3.0 percent cohort, which should be a bit faster, has averaged about 10 percent in the same period. While it’s correct to conclude these speeds aren’t fast in absolute terms, they at least haven’t dwindled to a snail’s pace. And any amount of seasoning improves the paydown even more, since the scheduled principal reduction on a 15-year pool begins to pile up pretty quickly.

Portfolio Manager’s Best Friend

The benchmark “default” rate for mortgages to prepay is about 6 percent annually. This is the number of loans that turn over each year for reasons unrelated to interest rates. So another way to look at the recent performance of these 15-year pools is that prepayments are 50 to 70 percent higher than the benchmark. In an environment in which community banks are clamoring for cash flow from their bond portfolios, these securities meet that need.

Two other points to keep in mind. First, the average lives of these instruments are going to be in the 5-year range at the outset, which is in the sweet spot for a lot of portfolio managers. The average life will gradually shorten as these pools season. Secondly, both of these cohorts are currently priced below par, so the opportunity exists to average down your book values, since they were trading at premiums over most of the last decade.

Credit quality, liquidity, reasonable yield. Did I mention stability of cash flow?

Reber is president and CEO of ICBA Securities and can be reached at 800/422-6442 or jreber@icbasecurities.com. ICBA Services Network is a WBA Gold Associate Member.



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Interest Rate Risk: Assumption Junction

By Matt Harris, CFA

If you've ever owned a car, you probably know about maintenance schedules. When followed, items such as oil, spark plugs, and tires are periodically reviewed and replaced to ensure the vehicle will continue to run properly. As regulators continue their increased scrutiny of interest rate risk (IRR) models, financial institutions should consider adopting their own "maintenance schedule" for model assumptions. Just like an automobile, a robust IRR model should be reviewed at least periodically to determine whether current behavior assumptions are appropriate and reasonable. When opening the hood of your interest rate risk model, the following critical assumptions should be reviewed:

- » Interest rate scenarios to be modeled.
- » Reinvestment/discount/driver rates.
- » Rate sensitivities (betas) and time lags.
- » Average lives of non-maturing liabilities.
- » Asset prepayment/liability decay.

While the list above is certainly not exhaustive, these assumptions could be considered the most critical and impactful to your reporting for both earnings-at-risk and long-term fair value analysis.

Rate Adjustments/Shocks

While it is commonly known that examiners are expecting +400 bps rate scenarios for earnings simulations, they are expecting to see non-parallel rate moves as well. This is where the short- and long-term rates of the curve move by different magnitudes. Historical yield curve analysis will assist with selection of the most realistic rate change scenarios.



The Baker Group

Matt Harris, CFA

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Reinvestment and Discount Rates

The earnings-at-risk simulation relies heavily on reinvestment rates and other repricing rates to calculate the changes in interest income and expense. Discount rates, on the other hand, are used more

would increase by only 30 basis points three months after the initial market rate move. Management should spend time reviewing historical rate performance to confirm that current sensitivity and lags assumptions are reasonable for their current activities.

» As regulators continue their increased scrutiny of interest rate risk (IRR) models, financial institutions should consider adopting their own "maintenance schedule" for model assumptions. Just like an automobile, a robust IRR model should be reviewed at least periodically to determine whether current behavior assumptions are appropriate and reasonable.

specifically to determine the present value of future cash flows used more for long-term fair value analysis (economic value of equity or net economic value). Management should use current offering and other market rates to consistently adjust these, especially after recent rate changes and new products.

Rate Sensitivities and Time Lags

Sensitivities, sometimes known as "betas," are numbers that help describe the pricing relationship of a particular account in response to movement in market rates. Time lags specify how much time would pass before the account will begin to experience a rate change. For example, an account with a rate sensitivity of 30 percent and lag of 3 would imply that if market rates increased 100 basis points, the account

Average Lives of Non-Maturing Liabilities

Widely considered the most mystifying assumptions for the model, the question here is what kind of maturities do the balances of your non-maturing liabilities have? Financial institutions should perform an analysis of non-maturing liability behavior and identify those funds which can be considered volatile versus core funding. Once separated, more volatile balances should be assigned shorter average lives versus core funding, which typically carries a longer average life.

Asset Prepayment/Liability Decay

Asset prepayments and liability decay rates are important to capture optionality on certain accounts. For assets, loans and mortgage-related securities have the ability to prepay principal.

On the liability side, non-maturing liabilities incorporate decay rates to simulate the effect of depositors withdrawing balances in certain interest rate environments. A higher prepayment or decay rate would usually imply a shorter average life of the particular account.

Stress Testing Assumptions

One approach is to routinely stress test the assumptions in the model. Management may find this helpful as it identifies which items have the most significant impact on model results. An example of stressing an assumption would be removing time lags on non-maturing liabilities and doubling rate sensitivities. This adjustment would highlight the potential increase in interest expense if the institution would have to be more competitive from a pricing standpoint for those particular products.

Conclusion

Assumptions, by definition, are accepted as true without proof; therefore, there isn't necessarily a right and wrong way to model them. Also, while back testing is necessary and history may be insightful, it can't predict the future. Prudent risk managers are aware of these limitations and will strive to maintain reasonable and supportable modeling assumptions. They will also consistently tweak and adjust their assumptions to better understand the implications those assumptions have on their model output and ultimately asset/liability management strategy.

Harris is senior vice president at The Baker Group, a WBA Bronze Associate Member, where he serves as assistant director of asset/liability management. He can be reached at 800/937-2257, mharris@GoBaker.com, or www.GoBaker.com.



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Questions? Contact WBA's **Patty Rogers** at 608/441-1209 or progers@wisbank.com.

2018 Wisconsin Banking Industry Compensation & Benefits Survey



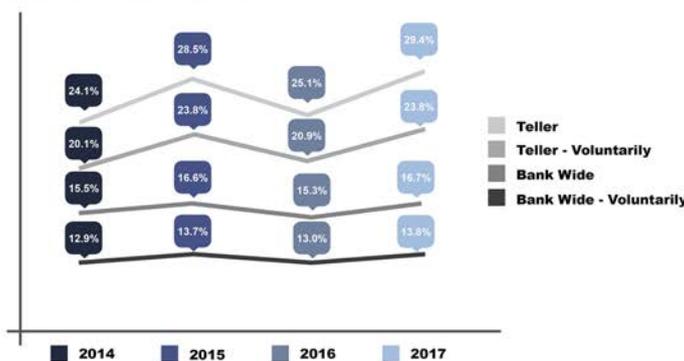
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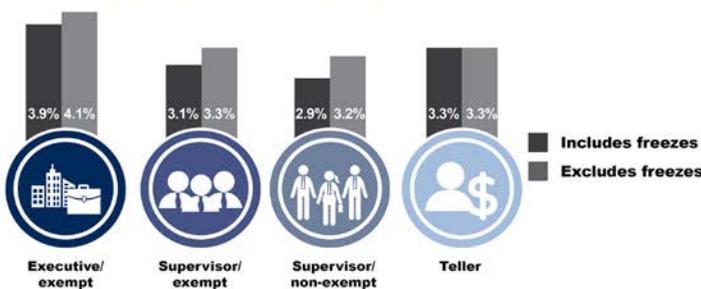
Bank employees across Wisconsin

Turnover Trends



The four-year trend shows turnover has been on a roller coaster ride. Average rates are up again indicating a stronger labor market putting pressure on banks to re-assess the impact of hiring strategies on pay, benefits, and other elements of total rewards.

Merit/General Increases



Average pay increases (excluding freezes) ranged from 3.2% for Supervisors/Non-Exempt employees to 4.1% for Executives/Exempt employees. These 2017 increases are on par with the Wisconsin projections in MRA's 2017 Pay Trends & Talent Strategies Survey.

SNEAK PEEK!
 2018 Wisconsin Banking Industry Compensation & Benefits Report

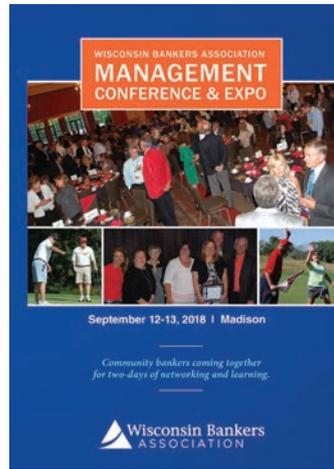
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One highlight of the conference each year is the evening banquet and awards dinner, during which the Lifetime Service Awards are presented. The nomination deadline for these awards is **August 17**.



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► WBA Lifetime Service Awards (30-Year and 40-Year Recipients)
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www.wisbank.com/ServiceAwards.

Visit www.wisbank.com/ServiceAwards to nominate deserving individual from your bank! If recipients are unable to attend the banquet dinner, WBA staff

will make arrangements to mail or deliver their awards.

WBA recently announced the conference's concluding speaker: **Chris Norton**. Norton's inspirational "The Power to Stand" keynote will dive into the essence of what it takes to have "The Power To Stand," how to persevere through the most challenging obstacles, and how to navigate change in life or work. Previously announced speakers include **John Waupsh**, Kasasa's chief innovation officer, who will discuss quick, practical, and long-term strategic moves to set banks up for decades of success to come; ICBA Securities Economic Analyst **Dudley Carter**; and **Mike Tenpas**, president & CEO of UFS, who will be facilitating a panel discussion of winning technology management strategies.

The conference will also offer plenty of time for attendees to devote to peer networking, providing space to discuss issues, trends and hot topics with other banking leaders.

Learn more at www.wisbank.com/management.



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- Principal payments in most cases determined with borrower input on a year by year basis.
- In many circumstances we will accept capital growth instead of principal reduction.
- We will come to you. Most loans initiated and closed at borrower's home or office.

You will deal directly with a lender who is a CPA and/or an attorney who understands the banking industry. Although we can not give direct advice, we have 30 years of experience in this type of lending and can make your job far less stressful and time consuming. We will understand your transaction. You don't need to educate the lender.

Our belief is to make the loan and then stay out of the banker's way and let you do your job.

Call **Rick Gerber** at **715-868-3502** or
email rickg@chippewavalleybank.com.

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WBA Management Conference Outings

September 12, 2018

Golf

Enjoy Madison's beautiful University Ridge Golf Course while networking with fellow attendees! The registration of \$100 per golfer includes golf (scramble format), half cart, and boxed lunches. Afterwards, participants will gather in the clubhouse for the awards and reception. Good luck on the golf links!

Bike Tour

Join **Butch Pomeroy** from the International Bank of Amherst for a relaxing 10-mile bike ride around Middleton on bike paths and lanes.

Bank Completes First Year of New Financial Literacy Program

Tomah high schoolers plan for their futures with the help of a local bank

Timberwood Bank, Tomah, recently completed the inaugural year of an innovative new financial literacy program, Timberwood Bank University (TBU). The TBU program offers local high school students the opportunity to successfully plan for their future through a comprehensive exploration of subjects such as budgeting and saving, identity theft, and cyber security. In addition, subjects such as economy, credit, and loans help students gain a better understanding of the financial world they are about to enter into upon graduation.



Timberwood Bank University students pictured above: Standing (left to right): **Charlie Fries, Zachary Buchholz, Travis Von Haden, Mackenzie McPeters, Trey Gnewikow, and Reis Drousseau.** Seated (left to right): **Caitlyn Brockman, Shelby Foss, and Molly Larsen.** Not pictured: **Ian Evans-Cloud.**

Visit www.wisbank.com to read more about the Timberwood Bank University program.

» **“I think TBU was an eye-opening experience for the students. The students learned the many important facets of personal financial responsibility. The students had a lot of questions and learned a lot. I hope they are able to take this information and apply it in their adult life.”**

– **Tom Trautsch**
Timberwood Bank, Tomah

A similar program at a Nebraska bank sparked the idea for TBU when Timberwood Vice President Controller and Senior Credit Analyst **Matt Fries** encountered it during his attendance at the Graduate School of Banking. The program provides students with indispensable, real-world knowledge, as well as a few

perks upon completion of the program. Students who have met the attendance and academic requirements are rewarded for their diligent work with a \$250 scholarship and a certificate of completion. The no-cost, seven-week program is limited to 10 students and consists of one 60-minute course per week, culminating in a final essay contest, for which the first and second prize winners receive a \$1,000 and \$750 scholarship, respectively.

The students who complete TBU are better prepared for life after high school; college preparedness is a central theme of the program, covering subjects from budgeting during college to paying for tuition and expenses with student loans. **Sara Gigous**, vice president senior operations officer at Timberwood,

explained how the program prepared students to look realistically at their educational and life goals through research into their chosen career fields and cost of living expenses in Wisconsin, noting that some students began adapting the budgeting techniques they learned through the course to fit their desired outcome for their career. In addition, looking comparatively at the cost of different colleges across the nation and how financial aid and student loans may or may not cover some of the costs of these colleges helped some students make decisions about which schools they wished to attend.

In addition to understanding budgeting for college, the program covers financial planning for after college, including budgeting of one's salary while including student loan payments and meeting the demands of everyday cost-of-living, as well as topics like understanding and building credit and obtaining and paying a mortgage. Understanding cyber security and identity theft also helped students prepare for those pesky curves

life tends to throw at them. The inclusion of subjects such as these takes the scope of the program beyond simply planning for college. Rather, TBU's goal is to give students a lasting and inclusive understanding of their financial future.

TBU's teachers, most of whom work at Timberwood Bank, are excited about the outcomes of the program and are optimistic about future sessions. **Tom Trautsch**, chief credit officer and executive vice president at Timberwood, commented on the success of the program saying, “I think TBU was an eye-opening experience for the students. The students learned the many important facets of personal financial responsibility. The students had a lot of questions and learned a lot. I hope they are able to take this information and apply it in their adult life.” Overall, nine employees of Timberwood Bank and one local insurance agent contributed to the success of the 2018 program. With the next session beginning in February 2019, TBU is gearing up for another exciting program, which will cover the same topics with possible additions including a basic introduction to investments.

Visit www.wisbank.com to read more about TBU and see what the students thought about the program (spoiler alert: they loved it!).

Staff Change? Address Change? Let WBA Know

Getting information to the right person quickly is critical in these challenging times. Has there been a personnel change at your bank, or are WBA's mailings targeted to the wrong staff?

Send your address corrections and/or additions to our database administrator, WBA's Assistant Director – IT **Randy Molepske**, at 608/441-1212 or requests@wisbank.com.

Bulletin Board

News about people working in Wisconsin's financial institutions

Promotions and New Hires

Cross Plains

State Bank of Cross Plains welcomes two new members to its Board of Directors: **Sam Ballweg** (pictured), president at Endres Manufacturing Company in Waunakee; and **Greg Jones** (pictured), president and CEO at Dave Jones, Inc. in Madison.



Ballweg



Jones



Waters



Kauten



Fillingim



Griffin



Sankey



Lijewski



Bednarski



Dively

Waukesha State Bank has also hired **David Bednarski** (pictured) as mortgage sales manager.

Wausau

Peoples State Bank has announced the addition of **Tim Dively** (pictured) as Peoples' new chief operations officer.

Green Bay



Evans

Fortifi Bank has announced that **Gina Evans** (pictured) joined the bank as a private banker.

was elected Chair of the First Business Bank Board of Directors effective June 26.

Manitowoc

Investors Community Bank has named **John R. Fillingim** (pictured) as executive vice president – chief credit officer.

Stevens Point

Peoples State Bank has hired **Dale Sankey** (pictured) as assistant vice president – commercial banking to lead the bank's newly opened Stevens Point office.

Retirement Middleton



Hogan

After 37 years in banking, River Valley Bank Middleton Market President **Jan Patrick**

Hogan (pictured) retired from his position at the end of June 2018.

Best wishes in your retirement, Jan!

Madison

Settlers Bank has announced that **Mike Waters** (pictured) has been named market president for the Appleton community.

First Business Bank announced that **Ralph Kauten** (pictured)

Middleton

River Valley Bank has announced the promotion of **John Griffin** (pictured) to Middleton market president.

Waukesha

Waukesha State Bank is proud to announce the promotion of **Liz Lijewski** (pictured) to bank manager of its New Berlin office.

(continued on p. 15)



Ixonia Bank Debuts Cash Mob Event at The Roots Coffeebar & Bistro

Ixonia Bank has planned a series of summertime "cash mobs" in the area to encourage shoppers to spend dollars locally and support local businesses. According to the American Independent Business Alliance, each dollar spent at independent businesses returns three times more money to the local economy than one spent at a chain (almost 50 times more than buying from an online mega-retailer). The first beneficiary of the Cash Mob was Ixonia Bank customer **Hilary DeVries**, owner of The Roots Coffeebar & Bistro in Downtown Oconomowoc. Visitors at the coffee shop on the morning of Friday, June 8, were surprised with \$5 vouchers from bank employees to cover or supplement the cost of the shopper's tab.

BS RECRUITERS

BS Recruiters is an executive search firm providing placement services to banks in the Wisconsin market that seek top-caliber talent.

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Del Garcia
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Have good news? To submit a notice, please email bulletinboard@wisbank.com. Or mail entries to *WBA Bulletin Board*, 4721 South Biltmore Lane, Madison, WI 53718. Send photos as JPEG files. Questions? Contact WBA's **Amber Seitz** at 608/441-1237 or aseitz@wisbank.com.

Bulletin Board

News about people working in Wisconsin's financial institutions

Announcements

(continued from p. 14)

Appleton

Settlers Bank has announced it will be opening a location in the Appleton community at 4321 W. College Avenue in the fall of 2018.

Markesan

Markesan State Bank presented a donation totaling \$537 to the American Diabetes Association. This money was raised during MSB's employees' April "Denim Day." Every month the bank's employees can choose to partake in the identified chosen not-for-profit cause. In exchange for wearing denim for the day an employee donates \$5 for the privilege of wearing denim to work on a set day. The bank matches the staff's contributions, and in April the bank's CEO, **Debra Lins**, also matched the raised contributions of the MSB employees.

Prairie du Chien

The Scholarship Committee of Peoples State Bank was pleased to select 35 deserving area students to receive \$500 scholarships in 2018. The area students attended Boscobel, Cuba City, Fennimore, Lancaster, North Crawford, Potosi, River Ridge, Prairie du Chien, Wauzeka-Steuben, Seneca, MFL-MAR/MAC, Clayton Ridge, and Viroqua.

River Valley

River Valley Bank staff members recently completed training to make their customer service approach dementia-friendly. Financial specialists, home lenders and Customer Experience Center team members, among others, were trained on dementia-friendly practices in all 15 River Valley Bank locations. This valuable training equips employees to identify customers who may be struggling with memory

loss, then address the situation with expertise and sensitivity. The ultimate goal is to help the customer determine how to best manage their finances.

Stevens Point

Peoples State Bank announced the opening of a commercial lending office in Stevens Point, Wis., at 3233A Business Park Drive, Suite 106, Stevens Point. The Stevens Point Lending Office is Peoples State Bank's first location in Portage County and will primarily meet the needs of small to mid-size business owners.

Wausau

Peoples State Bank unveiled a redesigned website at bankpeoples.com to make it easier to learn more about the bank's financial solutions and services. The new site includes a mobile friendly, responsive design, and easier site navigation.

Associate Member Announcement

The Baker Group is pleased to announce the hiring of three seasoned investment professionals who will open an office in Long Island, N.Y.: **Scott Fletcher**, director of public finance and underwriting; **Chris Maloy**, senior municipal trader; and **Andrew Okolski**, a seasoned analyst in the Financial Strategies Group. This team will further the firm's public finance effort and enhance its existing presence in new-issue municipal underwriting and secondary taxable trading. They will work to expand the firm's presence and capabilities within the banking industry and in coverage of municipalities.



Operation Finally Home and First Federal Bank Awards Returning Veteran and His Family a New Home

Operation Finally Home was proud to dedicate their fourth custom-built home in Waukesha to U.S. Army Staff Sergeant **Mario "Joe" Davis** and his family on Saturday, June 2, 2018. "Operation Finally Home is an outstanding organization that partners with local businesses, like First Federal, to honor our returning military heroes. It is an honor to help them provide this new home to the Davis Family mortgage free," said **Edward H. Schaefer**, president and CEO of First Federal Bank. U.S. Army Staff Sergeant Joe Davis served our country for 11 years until he had to medically retire after being diagnosed with Parkinson's Disease. Doctors linked it to Post Traumatic Stress Disorder. Joe did three tours in the Middle East. "Love went into building this home and the love will continue to be in the home when we raise our kids in it. That's what makes a house a home – the love you put into a home," Davis said. Davis is pictured (above) with his family.



FBFC and Local Community Support Camp Hometown Heroes

First Bank Financial Centre (FBFC) is proud to present Camp Hometown Heroes with a check of \$8,934.31 from their recent fundraising campaign. During the month of May, FBFC ran a fundraising campaign to support the CHH Mission, for every \$5 donation to Camp Hometown Heroes in May, an entry was given to win a Black Hawk Down prize package signed by First Sgt. **Matt Eversmann**, a true American hero. "Camp Hometown Heroes provides

healing and caring to the children of fallen service men and women, and it's our honor to raise funds to support their mission. We thank everyone who generously gave to support this wonderful organization," said **Jeff McCarthy**, FBFC marketing director. Pictured above (left to right): **Mark W. Mohr**, FBFC president and CEO; **Deb Paschke**, Camp Hometown Heroes director of outreach and **David Sutton**, FBFC senior vice president and director of retail banking

Wisconsin Bankers Association

Calendar of Events

August 2018 – February 2019

Visit www.wisbank.com/education to find out more about these programs, register or browse a full list of WBA Education events.

Please direct questions to the WBA Education Department at 608/441-1252 or wbaeducation@wisbank.com.

Compliance Forums

3 Sessions | 3 Locations
(Session 1 completed in June)
Session 2

Oct. 30 | Stevens Point
Oct. 31 | Wisconsin Dells
Nov. 1 | Pewaukee

Session 3 (2019)

Feb. 19 | Stevens Point
Feb. 20 | Wisconsin Dells
Feb. 21 | Pewaukee

Conferences

Management Conf. & Expo
Sept. 12-13 | Middleton
(See article on p. 12.)

Secur-I.T. Conference:
*Exploring Bank Operations,
Security, and Technology*
Sept. 25-26 | Wisconsin Dells
(See ad on p. 2.)

LEAD360 Conference
Nov. 13-14 | Stevens Point

FIPCO Events

Threat Intelligence Briefing
Aug. 16 | Barron

FIPCO Compliance & Software
Forum (Loan + Mortgage)
Oct. 18-19 | Stevens Point
(See article on p. 17.)
(Visit www.fipco.com/events.)

Golf Outing

WBA Chairman's Member
Appreciation Golf Outing
Aug. 16 | Wisconsin Dells

> Register online for WBA events at www.wisbank.com/education.

> Register online for FIPCO events at www.fipco.com/events.

WBA's social media efforts focus on communication, advocacy:

> Like Us



Wisconsin Bankers
Association –
www.facebook.com/wisbank

> Follow Us



@wisbank –
www.twitter.com/wisbank

> Join Us



Wisconsin Bankers
www.linkedin.com/company/wisconsin-bankers-association

> Watch Us



Wisconsin Bankers
www.youtube.com/WisconsinBankers

Group Meeting

WBA CEOnly|CFOnly
Networks Group Meeting
Oct. 19 | Madison

Schools

Onsite Certified Banking Security
Technology Professional
Aug. 7-8 | Madison

Introduction to Commercial
Lending School
Sept. 5-7 | De Pere

Supervisor Boot Camp
Oct. 2-3 | Wisconsin Dells
(See WBA Featured Events.)

Personal Banker School
Oct. 16-17 | Wisconsin Dells

Deposit Compliance School
Nov. 5-6 | Wisconsin Dells

Seminars/Workshops

Introduction to Call Report
Preparation Seminar
Sept. 11-12 | Wisconsin Dells
(See WBA Featured Events.)

Active Shooter/Workplace
Violence Seminar
Sept. 26 | Wisconsin Dells

BSA Workshops
Oct. 2 | Eau Claire
Oct. 3 | Neenah
Oct. 4 | Madison

Webinars (online training)

(Register online for webinars at
www.wisbank.com/education.)

WBA Featured Events

Upcoming Seminar, Conference, and Boot Camp

Introduction to Call Report Preparation Seminar

Sept. 11-12 | Wisconsin Dells

The Call Report is constantly changing, producing confusion and many questions. The seminar will provide basic training for new preparers and complete coverage of new and complex issues for experienced preparers. The Call Report seminar presentation will be in the order of the schedules, starting with the Income Statement schedules followed by all Balance Sheet schedules. New, proposed, and revised changes will be discussed with the schedules they will impact and a summary of all recent updates will be included at the end of the manual. Participants will receive a 250+ page manual and speaker **Ann Leavelle Thomas**, Thomas Consulting, will be available to answer future Call Report questions via email. Participants may want to bring their bank's most recent Call Report for resolution of questions during the session.

Secur-I.T. Conference

Sept. 25-26 | Wisconsin Dells

Whether your goal is to keep your bank at the forefront of technological products and services, to protect your bank and your customers from ever-evolving criminal threats, or to update and streamline your bank's operations, you need to keep your skills and your knowledge sharp. Stay one step ahead of the competition by attending this year's WBA Secur-I.T. Conference. This conference will bring together banking professionals charged with defending their institutions from both physical and technological threats. Attendees will benefit from over seven hours of presentations from nationally recognized speakers and local professionals, network with more than 125 banking peers, and meet several exhibitors who offer products and services geared to better your banks technology, security, and customer experience. You won't want to miss this great event that brings together technology, operations, and security banking professionals from all around the state!

Supervisor Boot Camp

Oct. 2-3 | Wisconsin Dells

You don't master the art of supervision through luck, you master it with training, experience, self-learning, and staying on top of best practices. As a supervisor, you must have the attitude, aptitude, skill set, confidence, persistence, and commitment to excel in this multi-tasking, challenging role. Supervisor Boot Camp will help you build essential traits such as leadership, professional maturity, and emotional IQ. Speaker **Vicki Kraai**, senior training consultant, InterAction Training, will lead attendees through the rigorous curriculum, covering topics such as assessing your effectiveness, how to motivate yourself and others, excelling at leading, and building performance plans.

Please direct any questions about upcoming WBA education programs to WBA's **Miranda Helt** at 608/441-1270 or mhelt@wisbank.com.

Improve Compliance: Expand Your Software Skillset

FIPCO Compliance & Software Forum scheduled for October

Your bank has a robust compliance system that has passed regulatory scrutiny and keeps the institution on track, but is it efficient? If your employees don't have a thorough understanding of the best ways to use your compliance software, then the answer is probably "no." For FIPCO's *Compliance Concierge™* users, the solution is attending the upcoming **FIPCO Compliance & Software Forum: Loan + Mortgage**. Sign up your loan processors, compliance officers, supervisors, IT staff, and loan officers today!

Scheduled for October 18-19 in Stevens Point, the forum is geared toward increasing your productivity, profitability, and compliance proficiency. The event is perfectly suited for FIPCO loan and mortgage software users of all levels.

Led by the FIPCO



Oct. 18-19 • Holiday Inn Hotel and Convention Center • Stevens Point

For more information, visit www.fipco.com, call 800.722.3498 or email fipcotraining@fipco.com.

Professional Staff and related industry experts, forum workshops will be packed with tips, tricks, and helpful information that you can take back to your institution and use right away. "With complex compliance demands continuing to challenge the financial industry, along with increasing changes in legislation, we know how important it is to stay ahead of the compliance curve," said FIPCO Director – Software Training and Support Services **Annette Witkowski**. "The knowledge and insight that our

featured speakers and session facilitators share year after year truly help to make this event an incredibly valuable and worthwhile experience."

Compliance updates are just one facet of the conference, however. Attendees will also gain important information from sessions which focus on consumer, commercial and agricultural loans (from beginner to advanced), FAQs about *Compliance Concierge™*, and software tips and shortcuts

to increase efficiency. Topics covered during the conference are always based on feedback and requests received by FIPCO's customers. "We evaluate all of the feedback from previous events each year and strive to feature sessions that offer the greatest value to our attendees," said Witkowski.

This engaging event is packed with valuable information and takeaways. You'll be amazed at how much this educational event packs into just two days!

Complete session details and registration information will be available soon on the FIPCO website at www.fipco.com. For more information about the Forum, *Compliance Concierge™* or other FIPCO products, call 800/722-3498 or email fipcotraining@fipco.com.

Here's what a few of our forum participants had to say about last year's event:

» "Great presentation – all very knowledgeable! Great explanations of the [TRID Final Rule Amendment] changes and proposals."

– **Erin Hanson**, Citizens State Bank, La Crosse

» "Information provided was excellent and the handouts will be incredibly valuable. Thanks for the individualized information and opportunity to learn more about those items that are most pertinent to people."

– **Elizabeth McDowell**, Waukesha State Bank

» "Very helpful reference guides! Staff at FIPCO are always awesome!"

– **Sherry Thostenson**, Farmers & Merchants Bank, Orfordville

» » "I am new to processing, so the quick reference guides and explanations are very helpful in understanding all the screens of the program."

– **Amber Riebe**, Cumberland Federal Bank

» "Presenter was excellent... She knows TRID inside and out! A lot of great information!"

– **Heidi Arndt**, First Citizens State Bank, Palmyra

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Midwest Bankers Insurance Services (MBIS):

Social Engineering: Fraud Prevention Before Insurance

By Jeff Otteson

With increasing frequency, community banks and other organizations are being targeted by fraudsters who attempt to deceive personnel into wiring funds to an account controlled by the fraudster.

While depository institutions have for some time had the benefit of wire transfer fraud coverage available on their fidelity bond, more recent exploits have taken on a complexion that can cause losses that are not covered by this coverage on the bond.

Since traditional wire transfer fraud coverage only covers theft that involves a fraudster posing as a customer with a deposit account with the bank, losses perpetrated by those posing as an officer



Insurance Insights

Jeff Otteson
MBIS



» www.mbisllc.com

or employee of the bank, or as a vendor, are not generally covered by this extension.

Referred to as “social engineering fraud” or “phishing scams,” the typical ruse goes something like this: a criminal will gather information from public sources to create a very legitimate-looking email or fax and send it under the name of a corporate manager requesting that funds be wired for some business purpose.

Often, the criminals have come by information that the person they are posing as is out of town and not easily reached to verify the legitimacy of the request. They will also usually indicate a high level of urgency and confidentiality of the nature of the wire and instruct the individual receiving the communication to carry out the transfer immediately and without discussing it with any other party. Only after the wire is completed is it discovered

that the request was fraudulent. It is often too late to try to reverse the transfer as the funds are always withdrawn from the receiving account as soon as they are available.

In recent months, most carriers who offer crime and fidelity bonds have begun offering endorsements to their forms that provide some coverage for these types of fraud. Insureds should make sure they fully understand the extent of this coverage and what coverage triggers apply as each offering is somewhat different from the next. Even with this type of extension included in the bond, nothing replaces solid risk management to help identify these exploits and prevent them from occurring in the first place.

(continued on p. 19)



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Insurance Insights

(continued from p. 18)

Here are some steps to take that may help to catch these attempts from resulting in a loss:

» Nothing is more preventative than awareness on the part of your staff. Employees who are authorized to receive and respond to wire transfer requests should be made aware that this type of scam is becoming ever more prevalent. They should be instructed to be diligent in their efforts to confirm legitimate requests, no matter the apparent source of the request. They should be suspicious of any wire request that appears to be out of the ordinary, was unplanned, and is overly cryptic. Wire requests received by any employee who does not normally receive these requests should be viewed with suspicion.

» All expected transactions should be discussed prior to them being carried out with clear details on timing, amounts, parties to the transaction etc. These details should be discussed in person whenever possible. Unexpected, last-minute changes should be viewed with suspicion.

» Emails and other communications originating from unknown sources should be cause for concern, no matter how legitimate they may appear. When wire requests are received via email, the receiver should look at the email address that it is coming from closely and confirm that it is exactly as it appears from a known and trusted address.

» Requests that are conveyed with an undue sense of urgency and request for

immediate action should be handled with the utmost care. There should always be a means provided to verify wire requests, regardless of who they appear to be coming from.

» Call back or other verification procedures for all transactions should be employed, especially when those transaction requests are unexpected and involve sources or destinations that are not familiar to the person being asked to act.

While it is imperative that community banks avail themselves of recent enhancements to their bond coverage that may cover social engineering fraud losses and understand exactly how it works, preventing losses of this nature is more important than what coverage may be available. Increasing the

awareness of the regularity with which these types of scams are being perpetrated and those steps that can be taken to identify and verify them is the first line of defense for any organization.

Otteson is MBIS vice president of sales. He can be reached at 608/217-5219 or jeffo@mbisllc.com.

MBIS is owned and operated by the Wisconsin and Minnesota Bankers Associations and endorsed by the North Dakota Bankers Association. As an insurance agency run by those defending and advocating for banking, you can rest assured MBIS will always have your best interests in mind. As an independent agency, MBIS has access to a variety of insurance providers to help them tailor plans to meet the specific needs of banks.

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“Phygital” Age

(continued from p. 1)

“Digital technology is transforming banks at a faster and faster pace, and it’s in every aspect of banking.” Back-office operations, products and product delivery channels, and customer expectations have all transformed. “In the past, some of the feature functionality on the technology side was a ‘nice-to-have,’ but now it’s table stakes,” said **Len Devaisher**, Wisconsin region CEO at Old National Bank, Madison.

Technology isn’t a fad that smaller banks can wait out, either. “The future of banking is demographics, just like it always has been and will be,” said **Joe Sullivan**, CEO of Market Insights,

» In their quest to keep up with fintechs and retail giants, community banks must remember what sets them apart: human connection.

and the largest demographic of the future is the typically tech-dependent millennials. And it’s not just the younger generations that see technology as a requirement for their bank. “Regardless of demographics and geography, we’re all becoming more comfortable with digital,” Sullivan continued. However, no matter how much technology has changed banking, it hasn’t reduced the importance of human interaction.

“Advisors You Trust”

“The role of banker as an advisor hasn’t changed,” said **Jenni Dolata**, deposit operations officer at The Stephenson National Bank & Trust, Marinette. “We see our customers in person far less than we used to, but they still come to us for solutions.” One example of this is SNBT’s recent addition of eTeller machines. “Personal interactions with customers still have to be first and foremost, but we’re interacting with them a little differently,” Dolata explained. “The key is not how often our customers visit the branch. It’s about the relationship we build with them while they’re here.”

In order to build those relationships—and help ensure they’re profitable—today’s

bankers must not lose sight of putting the customer first. According to **Nancy Bleeke**, founder and president of Sales Pro Insider, in-person interactions must be relevant and customer-focused, not just a quick sales pitch. “You need to earn the right to speak to a customer about additional products and services,” she said. Empathy—seeing the situation from the customer’s point of view—is another critical skill for today’s bank staff, according to Sullivan. Empathy helps the banker anticipate and respond to barriers the customer may have to using a new technology product, whether it’s shame or frustration. “Human interaction can enhance and help them get past any barriers,” he explained.

(continued on p. 21)

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“Phygital” Age

(continued from p. 20)

Ultimately, the goal of in-person interactions with customers should be to augment digital interactions, and vice versa. “Fundamentally, it’s about moving from an either-or mindset to a both-and mindset with respect to digital versus in-person client engagement,” said Devaisher. That ability to engage the customer is how community banks have always set themselves apart in the financial services industry, so banks should view the rising importance of technology as another opportunity to do so. “You still need humans to help technology help humans,” said Wiegert. “Our differentiator is the human touch and interaction. Community banks are built around the customer, so it’s critical we offer that.”

» **Banks need to understand who their primary customers are and how they want to interact. It’s not about how the bank wants to communicate. It’s about how our customers want to be communicated to.**

Creating Engagement

So what can banks do in order to keep their focus on the customer and avoid the “shiny object” of technology? The three keys are to invest in staff training, educate customers, and deliver on consumer expectations for interaction.

Whether it’s a new product like mobile banking, branch feature like a video teller machine, or back-office software like *Compliance Concierge*, staff training is paramount to the success of any bank technology investment. “Banks need to be sure their people



understand not just how to use the new technologies but what the benefits are for the customer,” said Bleeke. “In the implementation plan, make sure there’s enough time, attention, and focus given to the training aspect for anyone in the bank who might directly touch the new product or service or help customers who do.” In addition to training, bank staff should be encouraged to use the new technology for their own personal banking (when applicable). “We have to be our own clients on the technology front,” said Devaisher. “If our associates understand and embrace it and through personal experience see the value and benefit, they become effective advocates and inviters for clients to consider this technology as a way to grow. They then have the skillset to come alongside them and show them how easy it is and how it can help them.” Sullivan recommends taking it a step further: “Make it mandatory that staff use it, because you can’t teach someone how to use a product if you’re not familiar with it yourself,” he said.

When bank staff have become experts on the new technology, they can then move to educating the bank’s customers (both current and potential). “We’re spending

more quality time with our customers now than we did in the past,” Dolata said of SNBT’s operations after installing the eTellers. “We’re taking these opportunities to train our customers on how to bank for the future.” Many banks today are remodeling their branches to accommodate this customer education need, creating new spaces for interaction between bankers and customers.

Finally, bankers need to interact with consumers in the way the customer prefers. “It’s incumbent upon us to understand what’s most important to each client and meet them according to that preference,” said Devaisher. “We need to listen to our clients and make it about them.” In order to do that, the bank must clearly define who its customers are and what they want. “Banks need to understand who their primary customers are and how they want to interact,” Wiegert explained. Investors Community Bank is using a new customer experience process to validate their assumptions about how to interact with three key niches they serve. “It’s not about how the bank wants to communicate,” Wiegert reiterated. “It’s about how our customers want to be communicated to.”

**“Phygital”...
blend digital
and physical
interaction
to engage
customers
and maximize
ROI.**

Customer-centric interaction also means having the correct array of products and services to offer, since not every customer wants to bank in the same way all the time. “If one particular channel doesn’t work or the customer isn’t comfortable with it, we need to have something else to offer,” said Dolata. “Allow the customer to choose the best fit for them.”

In order to stay customer-centric in today’s banking industry, where digital and physical interactions are increasingly blended and dependent upon one another, community banks must walk a fine line between the two. “It’s a combination. You can’t go all one way or the other,” Bleeke cautioned. “Don’t jump into technology if it’s not right for your bank and your customers.” But don’t get left behind, either. “You need both in order to succeed,” said Wiegert. “You need the right people and the right technology in order to get the best ROI on your technology.”

Seitz is WBA operations manager and senior writer.

**www.pwc.com/us/en/financial-services/publications/assets/pwc-fsi-whitepaper-digital-banking-consumer-survey.pdf*

***www.accenture.com/us-en/insight-banking-distribution-marketing-consumer-study*



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Align Your Marketing Budget to Meet Your Bank's Goals

By Kevin Wilderman

As markets and organizational objectives shift over time, often marketing budgets don't keep pace, resulting in misaligned budgets.

The very first step in determining how to allocate your marketing spend is understanding how marketing supports the bank's goals. Following these four steps will help in recognizing marketing as a long-term investment and aligning your marketing budget with your corporate strategy.

STEP 1: Bank Goals

Your first exercise should be to evaluate your marketing budget for alignment to your bank's goals. Initially this might mean pushing your peers for a clear and agreed-upon definition of your overall strategy. Once the goals are articulated, prioritize your budget to reach those goals.

It's important to get and remain in the loop. This will establish marketing's role in the planning process from the start. Understanding corporate strategy development is critical if your goal is to align with that strategy.

You can achieve this by identifying which marketing objectives will positively influence your corporate objectives. You will want to make sure corporate objectives are designed for a constructive impact on revenue later. This is a more sound approach that better reflects what marketing truly does.

Next, identify your bank's top goals. For example, this may be increasing revenue, expanding into new markets, or differentiating from the competition. From those top goals, choose the objectives where you think marketing can make the greatest impact.



Strategic Connections

Kevin Wilderman

STEP 2: Marketing Budget to Support Bank Goals

Create a simple chart to rank each objective and goal by importance and then equate actual marketing budget dollars to them. This allows you to evaluate your plans and consider adjustments. For example:

Objectives/Goals	Importance Ranking by %	Actual Budget	% of Budget	Difference
Checking Account Production	50%	\$30,000	37%	-13%
CD/Money Market Balances	20%	\$25,000	30%	10%
Home Equity Lending	20%	\$10,000	12%	-8%
Business Banking	5%	\$5,000	6%	1%
Other/Misc. Items	5%	\$12,000	15%	10%
	100%	\$82,000	100%	

Identify what you want to accomplish and generate specific marketing goals. Maybe your aim is to attract a specific number of new customers with advertising, a branding campaign, an email referral program; or you might like to convince a certain percentage of your customer base to upgrade to your newest product.

Be realistic. Put substantial thought into the activities you choose and continually challenge yourself. If they don't tie into one of the bank's overarching goals, question if you should be doing them at all.

STEP 3: Develop KPIs, Execute, and Measure

You'll need to define your key performance indicators (KPIs) before you spend any of your marketing dollars. That way you can refer back to them to measure your success.

Your KPIs should align your marketing budget with

the bank's goals. You'll want to choose metrics that allow you to show clear gains, whether in customer retention rates, customer lifetime value, account acquisition costs, or sales growth.

Continually track progress. A CEO ultimately thinks about marketing in terms of how much revenue it helps influence. Make sure your KPIs are simple, relevant, and can show results through the evolution of awareness, engagement, and qualified leads that eventually closed deals.

Don't wait until the end of the year. Throughout the year, make a concerted effort to monitor the success of your marketing campaigns so that you make adjustments when needed.

STEP 4: Repeat Annually

Wilderman is vice president of marketing at North Shore Bank, Brookfield and a member of the 2018-2019 WBA Marketing Committee.

This column is published bi-monthly in Wisconsin Banker and is written by members of the WBA Marketing Committee.

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Strategic Conversions

(continued from p. 1)

(The other two are dissatisfaction with the current vendor relationship and to realize cost savings.) Fiserv's **Eric Jones**, senior vice president of product management, Bank Solutions, says that a strategic change or M&A event at the bank typically accompanies the motivation to upgrade. "It comes down to understanding how the tech platform will support the bank's strategy," he said.

What's Your Destination, and Can Your Engine Get You There?

There are three major strategic elements bank leaders must consider related to discussions of core conversions: M&A plans, current and future technology needs, and growth trajectory. Changes in one or more of these areas could be sufficient motivation for a core conversion. During the search for a new provider, if one is required, bank leaders must be sure to communicate their strategy

with the provider, according to Roche. "When evaluating a provider, it's important for the bank to be open and share their strategic vision," she said. "Partner with a technology provider who demonstrates the ability to meet the needs of today and tomorrow. In five years, you don't want to change providers again."

The bank's core will always have an impact on mergers and acquisitions. "The core platform has capabilities that inherently determine whether the bank can acquire and convert other banks quickly,"

said Jones. "The platform of the acquiring bank in many ways determines if they're able to execute an M&A strategy." Spillane explained banks with merger activity in their near-term strategy should avoid signing a long-term deal in order to cut costs, since the long-term impact could be greater overall. "I've never run into a purchase where the core processor contract didn't play a role. Banks should think about the degree to which their core processing term lines up with their M&A timeline," he advised. In addition to timing, the core also impacts how an acquiring bank identifies its targets. "We see that there's a very intentional strategy on the part of acquiring banks to target based on the core platform the acquired bank is on," said Jones. "Banks prefer acquiring other banks who are on the same platform." Not only is the transition smoother for employees, who are already familiar with the system, but also for customers, who will find the switch less jarring in many cases when the two banks share a core. "If they're on

similar cores, the transaction is potentially less dramatic for the customer," said Roche, noting that because providers are constantly updating their solutions and systems, even banks on the same core may encounter compatibility challenges. "But it can absolutely simplify the migration path," she said.

When evaluating their core system, bank leadership must review the bank's current and future technology needs. "One of the most common motivations for conversion is a change in the bank's business model to deliver a more innovative and competitive

offering," said Griffin. "They want to provide a better customer experience that has been introduced through digital technologies and competitive fintech disruptors in the financial services market." Tech giants like Amazon and Google have transformed the way consumers expect to be served, and banks will need to continually adapt in response. "Solutions are changing so rapidly, a financial institution needs to partner with a provider that can embrace those changes and enhance the systems that will be available," said Roche. "Sometimes it's a matter of wanting to ensure you're not left behind."

However, it's important that decision-makers understand which pieces of the bank's technology network can be improved or expanded *without* a core conversion. "The most common misstep we see when it comes to banks' decisions around switching cores is that the bank believes the core platform change will drive other elements of their technology platform," Jones explained. "They mistakenly associate the core as the

entire technology suite, when the problem could actually be solved without changing the core." For example, by leveraging open API technology, a bank could overhaul its entire digital platform—including mobile—without changing cores.

Finally, bank management must consider their plans for institutional growth—whether it's deposits, loans, or footprint—when evaluating a core conversion. "They need to ensure they're selecting a provider with the ability to scale with the future strategic direction," said Roche. As with any third-party vendor, the bank's core provider must

be financially stable and equipped to invest in research and development, as well as support the bank during and after the conversion. "Stability and experience are vital factors to core evaluations," said Griffin. "Bank decision-makers should consider vendors that are reputable and well-established in the market with a proven commitment to R&D. After all, there's a reason they've achieved such success."

Switching Tracks

Converting from one core system to another is one of the most challenging transformations a bank can undergo, touching every part of the institution. "In general, it's an extremely involved process," said Spillane. "A number of institutions might not pursue a conversion simply because they don't want to go through that process. Excluding M&A, this is probably the most intensive process a bank can go through." In some cases, however, bank leaders may find themselves in a situation of "convert or die." If the gap between the current core's capabilities and the bank's

strategic objectives is wide enough, it may be necessary to switch tracks—either moving to a new provider or a new product. "You have to start the process early," said Spillane, recommending at least 18 months before the end of the current agreement. "It'll take that long to do your due diligence on potential providers, negotiate the agreement, and manage the conversion project," he said. "You want to have plenty of time for negotiation so you're not forced to take a deal that isn't advantageous to you. You also want to have ample reaction time for changes

(continued on p. 25)

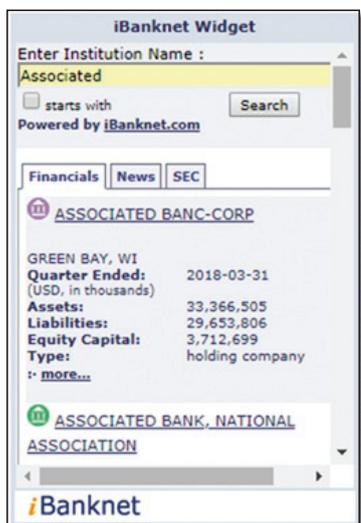
Banconomics Adds Visual Features

Bank financials, SEC info among new tools available

By Mike Semmann

Banconomics.com, the bank insider’s best friend, has added two exciting features: charts and widgets from iBanknet and TradingView.

iBanknet.com provides a simple interface for finding detailed information about a particular financial institution. It currently searches through an inventory of over 21,000 U.S. financial institutions where users can click through to find between 800 to 1,500



Association Update

Michael J. Semmann

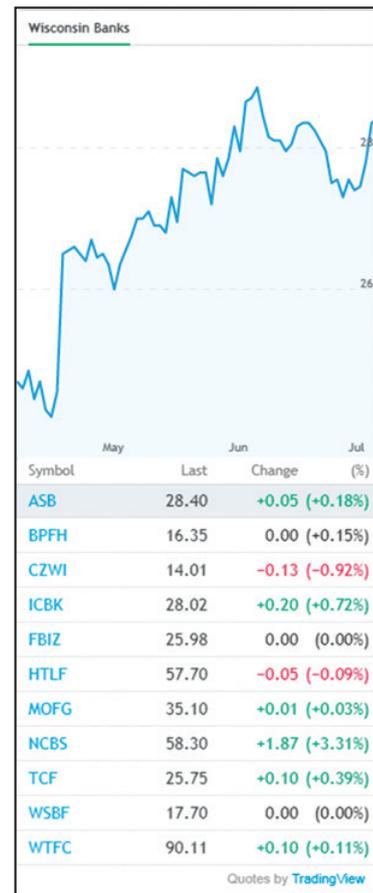
financial data points per institution. iBanknet.com is built on an interactive data foundation. This foundation lends itself to the construction of feeds that power gadgets and widgets. What is a gadget? What is a widget? Generally, they have a small footprint and can be easily customized for single feeds or mashups (multiple merged feeds).

TradingView.com is an advanced financial visualization platform. It provides basic price charts or plots of complex spread symbols with overlaid strategy backtesting. TradingView is also one of the most active social networks for traders and investors.

Banconomics provides community bankers with essential economic data and research to support public and private decision-making. The Banconomics website fills the need for Wisconsin banking indicators presented in an easy-to-access yet comprehensive format for community bankers, public officials, reporters, and industry leaders. The financial data and research found on the Banconomics website is fueled by the quarterly release of FDIC banking reports, including metrics on profitability, assets quality, and liquidity. Our visitors will also find additional, timely information contributed by economic and business experts for Wisconsin’s bankers.

For more information, please contact **Mike Semmann** at msemmann@wisbank.com or 608/441-1206.

Semmann is WBA executive vice president – chief operations officer and executive director of the Wisconsin Bankers Foundation.



» At far left: iBanknet Widget; www.ibanknet.com.

» Above: TradingView Bank Stock Widget; www.tradingview.com.

Strategic Conversions

(continued from p. 24)

during the process.” Once the bank selects a new product or provider, it’s time to make the switch. Core conversions are complex and time-consuming, but three key ingredients will help yours go more smoothly: a motivated staff transition team, assistance from the provider, and sound vendor management practices.

“The first and most important step towards change is to prepare bank staff,” said Griffin. “A core conversion requires support from top bank management to support the efforts of the transition

teams and to assure staff members that change brings about a better work experience.” To get buy-in across the institution, bank leadership should bring in representatives from all departments to lead internal transition efforts. “The best way to handle it is to form a project team,” Spillane advised. “Make sure voices are heard from across the institution. It’s all hands on deck.”

No matter how skilled or motivated the staff team is, however, every conversion should have ample support from the provider, whether the bank is switching to a new

product or vendor. “As part of the selection process itself we recommend banks consider the provider’s experience and capabilities when it comes to system implementation and conversion,” said Jones. “Once the decision is made, it comes down to planning and execution.”

Finally, the entire selection and conversion process may be less stressful if management keeps in mind that it is an exercise in vendor management—a colossal one with tremendous impact on the bank’s primary activities, but still a familiar process. “Compliance, business continuity, and vendor management processes should

be top-of-mind, as banks are held accountable to regulators evaluating third-party risk,” Griffin explained. “If a vendor does not share their best practices or meet regulatory requirements for managing their vendor relationships, it does not bode well for the bank.”

Seitz is WBA operations manager and senior writer.

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WBA Perspective *Industry briefings for Wisconsin bankers*

There's certainly no shortage of information channels in this day and age. You can find out news from around the globe in newspapers, online and even on your smartphone. If you don't have time to sift through hundreds of articles and news bytes, here's what you need to know about what's going on in the banking industry this month:

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Advocacy

New SBA Great Lakes Regional Administrator Meets with WBA on SBA Growth



Recently, WBA staff met with new SBA Regional Administrator **Robert Scott** to discuss SBA program usage in Wisconsin. In addition to introducing himself, Scott took this opportunity to discuss the SBA 504 and 7a loan programs as well as the program fees associated with the guarantees. The Trump Administration has a goal of growing the amount of loans made through the SBA particularly in rural areas, and also is looking to increase the number of active participating banks by 5 percent. Pictured above (left to right): **Joseph J. Knilans**, SBA advocate of rural affairs; **Eric Ness**, district director for the U.S. SBA Wisconsin District; **Rose Oswald Poels**, WBA; **Robert Scott**, regional administrator for SBA's Great Lakes Region (Region V); and **Mike Semmann**, WBA.



Compliance

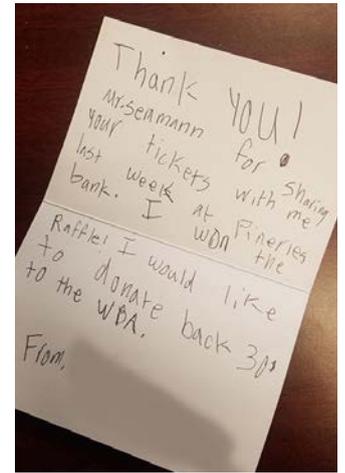
Agencies' Statements on S. 2155's HMDA Reporting Exemptions

The CFPB, FDIC, and OCC individually released statements regarding the partial exemptions granted under S. 2155 for particular HMDA (Home Mortgage Disclosure Act) data reporting requirements. Recently signed into law, S. 2155 provides a partial exemption to banks and credit unions for closed-end mortgage loans if the institution originated fewer than 500 closed-end mortgage loans in each of the two preceding calendar years, and for open-end lines of credit if the institution originated fewer than 500 open-end lines of credit in each of the two preceding calendar years. You can access the individual statements on [WBA's website](#).

Community

8-Year-Old Supports Wisconsin's Banking Industry

In a move that touched our hearts and raised our spirits, we received a note from an eight-year-old girl donating \$30 to the association. Here's what happened: WBA's **Mike Semmann** purchased raffle tickets during a recent banking event but needed to leave before the drawing. Because you needed to be present to win, he gave his tickets to this young girl with the hopes that someone could benefit from the tickets. She actually won a prize! We're not sure if the \$30 is the entire prize or a portion, but in either case, this touching gesture keeps bringing a smile to our faces.



If you are interested in following this little girl's generous example, you can donate \$30 (or more!) to support Wisconsin's banking industry through the Wisconsin Bankers Foundation by mailing a check to: Wisconsin Bankers Foundation, 4721 S. Biltmore Lane, Madison, WI 53718.

Judicial Advocacy

Oral Argument Scheduled for Koss Corp. v. Park Bank



As previously reported, the Wisconsin Supreme Court accepted [WBA's amicus brief](#) in the *Koss Corp. v. Park Bank* case. Oral argument has now been scheduled for Sept. 7, 2018. The case takes up the issue of what constitutes "bad faith" under Wisconsin's Uniform Fiduciary Act (UFA). The trial court and the Wisconsin Court of Appeals both found in favor of Park Bank. There has been very little case law in Wisconsin interpreting "bad faith" under the UFA. The decision which will be made by the Wisconsin Supreme Court will be critical to banks by establishing a lasting definition of "bad faith" with which all banks must comply to avoid liability under the UFA. The American Bankers Association signed on to WBA's brief.



For more industry updates like these, sign up to receive the *WBA Executive Letter* ePublication by visiting your profile on www.wisbank.com (located in the upper-right corner of the screen).

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As part of an ongoing effort to promote the banking industry and encourage new entrants into the financial services workforce, WBA has expanded the Bankers Marketplace service to include banking internship positions. Any WBA member bank may now post open internship positions in the Bankers Marketplace, free of charge. If you have any questions, email bankersmarketplace@wisbank.com or visit www.wisbank.com/classifieds.

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Your Commercial Bankers

Pete Aarsvold 608.829.5797 Western WI	Kevin Means 608.829.5523 Eastern WI
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