

2008 Bank Ownership Survey

An evaluation of closely-held and family-owned financial institution challenges, opportunities and leadership practices.

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2008 Bank Ownership Survey Summary of Key Findings

What critical challenges and opportunities will closely-held and family-owned financial institutions be facing in the future?

During December 2007 and January 2008, Cross Financial Group executed a research project to identify and assess the challenges, opportunities and planning issues faced by closely-held and family-owned financial institutions in the Midwest. The online survey used for the project was developed by Cross Financial Group and family business consultant, David Specht, Executive Wealth Management. The survey was distributed to 566 senior bank managers and owners with the assistance of the Iowa Bankers Association, the Kansas Bankers Association and the Nebraska Bankers Association.

The information presented in this summary was tabulated from completed surveys received from financial industry professionals, owners and managers contacted during the study. The response rate for the study was 14.49%. The following outline presents the preliminary summary of findings from the research project.

Institution Demographics

- Response by state - 45% Nebraska, 28% Kansas, 27% Iowa
- 83% of all respondents were from institutions with less than \$250 million in total assets
- 62.4% of institutions have a CEO over 50 years of age
- 75.9% are family-owned institutions

Management Succession

- 35.1% expect to transition to a new president in the next 5 years
- 55% feel they will transition to a new president in the next 10 years
 - However, only 49% have plans in place to develop the leadership skills of future managers
- 22% indicated they have a documented management succession plan
- 43% have made no decisions regarding management succession
 - Only 5.2% strongly agreed that a successor development plan was in place
- 78% expect their next president to come from an internal source
 - 43% expect their next president will come from the lending area of the bank
- When the next president is expected to come from an external source the most common reason given for 66% of the respondents was that the bank had "no qualified candidates" for the position
 - 11% indicated they have no time to develop an internal management candidate
- 79% said they do not have an active leadership development program to enhance the skills of existing managers
- 1) On the job training, 2) banking schools and 3) industry conferences were given as the three most common sources for leadership development
- Only 8.5% indicated they are utilizing college or university classes to develop their future manager skills
- 43% do not have a system or program in place to proactively retain key senior officers
- When asked to rate the importance of having a "key officer retention program", on a scale of 0 to 10, with 10 being very important, respondents rated average importance at 8.21

- When asked about the readiness of the senior manager identified to become the next president, on a scale of 0 to 10, with 10 being ready to go, respondents rated average readiness at 6.49
- When asked what was important when developing and retaining key officers, on a scale of 0 to 10, with 10 being very important, respondents rated average importance of the following items above 8.25:
 - Decision making ability
 - Authority to make decisions
 - Ability to manage people
 - Positive reinforcement
 - Ability to manage projects

Vision, Mission and Planning

- 61% indicated they had a mission statement
- Only 41.5% indicated they had a corporate vision statement
- 36.6% indicated they have documented their core values
- 51% indicated they do not have a three to five year strategic plan
 - A similar percentage, 49%, have no formal planning process in place

Management Skills

- The following categories were rated as most important for the knowledge that should be possessed by the next bank president
 1. Lending
 2. Business development
 3. Asset, liability management
 4. Strategic planning
- The following categories were rated as most important for the management skills that should be possessed by the next bank president
 1. Business ethics and integrity
 2. Leadership
 3. Communication
 4. Vision
 5. Community involvement
 6. Interpersonal skills

Ownership

- 37% have a plan in place that defines the anticipated ownership structure for the next 10 years
- 22.4% are uncertain that the bank will remain in the family through the next generation
- 49.4% are uncertain or disagree that the next generation views the bank as a family/community legacy
- 12.8% strongly agreed that ownership had an estate plan that allowed for business agility, not just tax minimization (29.5% were uncertain)

Planning Challenges and Opportunities

- The most common challenges identified for current strategic planning included:
 - Business development and sales cultures
 - Profitability
 - Deposits and funding
 - Succession planning and leadership
 - Competition
 - Staff development
 - Technology

- The most critical challenge to be faced by closely-held and family-owned institutions was identified, from an open-ended question, as succession planning and leadership (49.5%)
- When asked what opportunities must closely-held and family-owned institutions address in the next two years, the most common responses were:
 1. Growth, acquisition, mergers and expansion
 2. Technology
 3. Succession planning and leadership
- When asked to identify one thing that is critical to the success of closely-held and family-owned institutions, 47.1% indicated it was management succession, retention and development
- 65.5% of respondents indicated their top challenge for retaining existing senior officers was compensation and benefits

General Observations

- While many organizations are proactively working to address the most critical industry challenges, a similar number (nearly half) have yet to spend time in strategic planning for organizational development, succession planning and leadership development.
- About half of family-owned banks in the study anticipate changes at the management level in the next 10 years. One third expect changes in the next five years.
- Over 75% of the targeted banks expect their next president to come from an internal source, however, nearly 80% say they do not have an active leadership development program to enhance the skills of existing managers. This challenge is compounded by the fact that "on the job training" was identified as one of the key sources for leadership development.
- Half of the closely-held and family-owned institutions lack a three to five year strategic plan...a similar percentage have yet to adopt a formal business planning process to lead the organization.
- 6 out of 10 institutions have established a mission statement for the organization. Less have developed a vision statement or core values.
- In both rated and open-ended questions, succession planning and leadership development topics presented a more pronounced focus than any other subjects.
- When asked to rate the management attributes important for future leaders to possess, respondents identified "strategic planning" as number four in the required knowledge list and "vision" as number four in the required management skills list. Both attributes are part of the planning process. Results show these are not common practices in the institutions today. If three out of four managers will come from internal sources, how will they develop those skills?

If you would like more information about the closely-held and family-owned financial institution research results, please contact Cross Financial Group.

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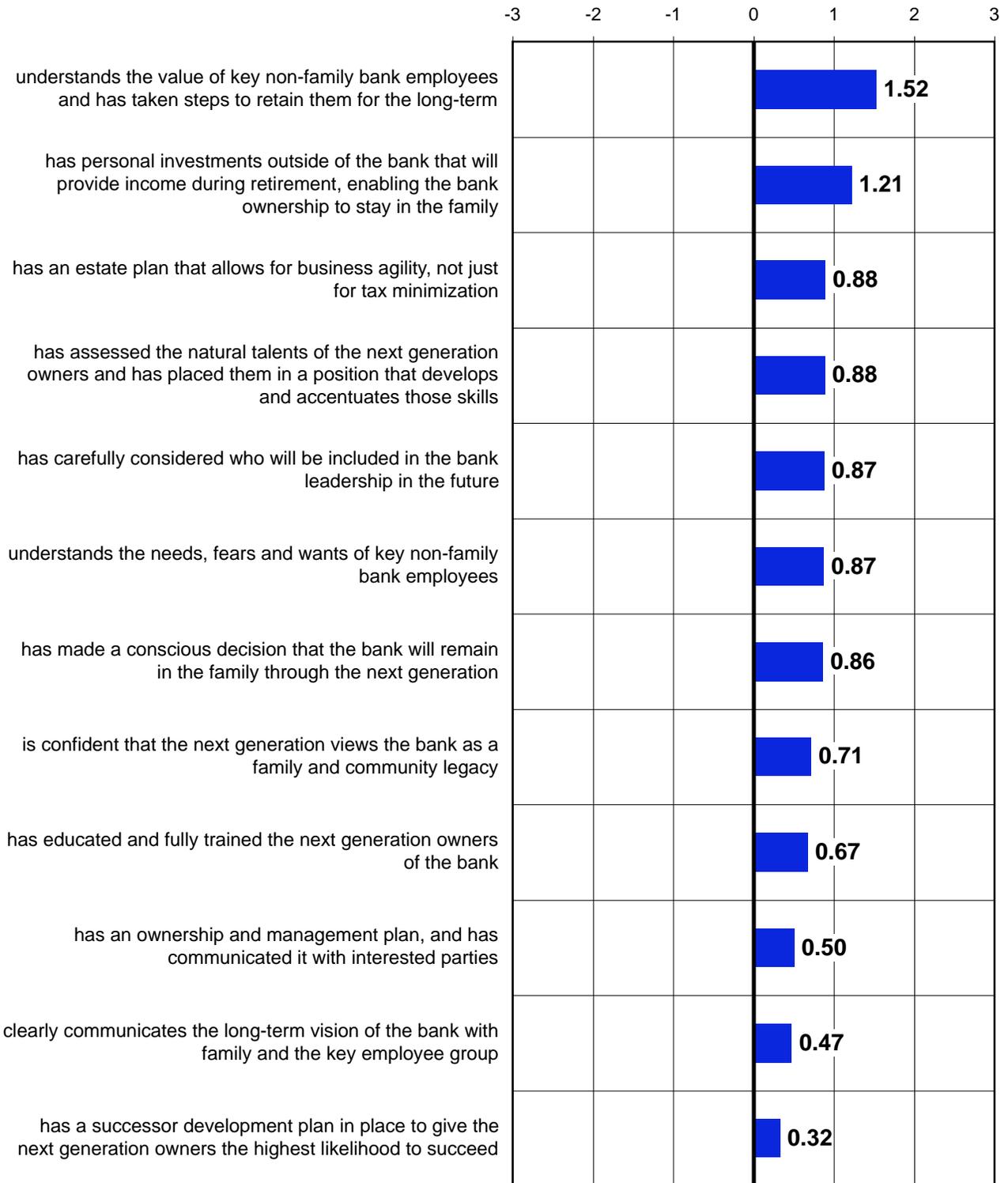
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The bank's ownership group...	Strongly Agree	Agree	Somewhat Agree	Uncertain	Somewhat Disagree	Disagree	Strongly Disagree	Index Score
has educated and fully trained the next generation owners of the bank	11.5%	23.1%	29.5%	11.5%	10.3%	9.0%	5.1%	0.67
has an ownership and management plan, and has communicated it with interested parties	7.7%	25.6%	25.6%	11.5%	15.4%	7.7%	6.4%	0.50
understands the value of key non-family bank employees and has taken steps to retain them for the long-term	20.8%	41.6%	23.4%	6.5%	1.3%	3.9%	2.6%	1.52
has personal investments outside of the bank that will provide income during retirement, enabling the bank ownership to stay in the family	22.4%	26.3%	25.0%	11.8%	6.6%	6.6%	1.3%	1.21
has carefully considered who will be included in the bank leadership in the future	7.7%	30.8%	28.2%	19.2%	6.4%	3.8%	3.8%	0.87
has made a conscious decision that the bank will remain in the family through the next generation	23.7%	15.8%	17.1%	22.4%	10.5%	7.9%	2.6%	0.86
is confident that the next generation views the bank as a family and community legacy	18.2%	22.1%	10.4%	27.3%	9.1%	10.4%	2.6%	0.71
has an estate plan that allows for business agility, not just for tax minimization	12.8%	25.6%	19.2%	29.5%	6.4%	5.1%	1.3%	0.88
has assessed the natural talents of the next generation owners and has placed them in a position that develops and accentuates those skills	11.8%	23.7%	32.9%	17.1%	3.9%	7.9%	2.6%	0.88
understands the needs, fears and wants of key non-family bank employees	7.8%	29.9%	32.5%	14.3%	6.5%	5.2%	3.9%	0.87
has a successor development plan in place to give the next generation owners the highest likelihood to succeed	5.2%	20.8%	24.7%	20.8%	13.0%	10.4%	5.2%	0.32
clearly communicates the long-term vision of the bank with family and the key employee group	5.2%	26.0%	29.9%	11.7%	10.4%	10.4%	6.5%	0.47
Bank Ownership	12.9%	25.9%	24.9%	17.0%	8.3%	7.4%	3.7%	0.81

* 7 point scale, range from -3 to +3 with midpoint = 0

Family-Owned and Closely-Held Financial Institution

The bank's ownership group...

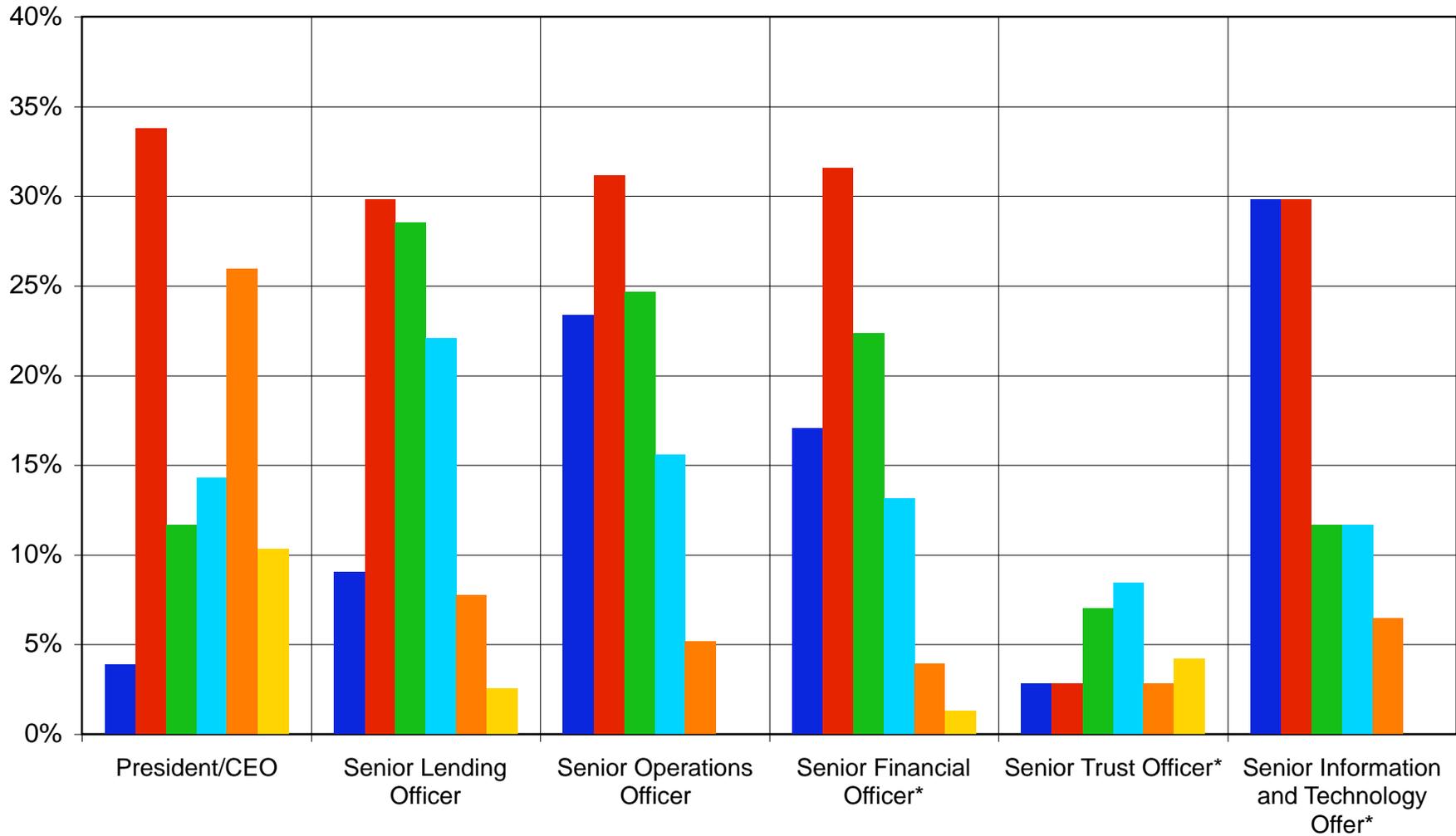


Family-Owned and Closely-Held Financial Institution Survey

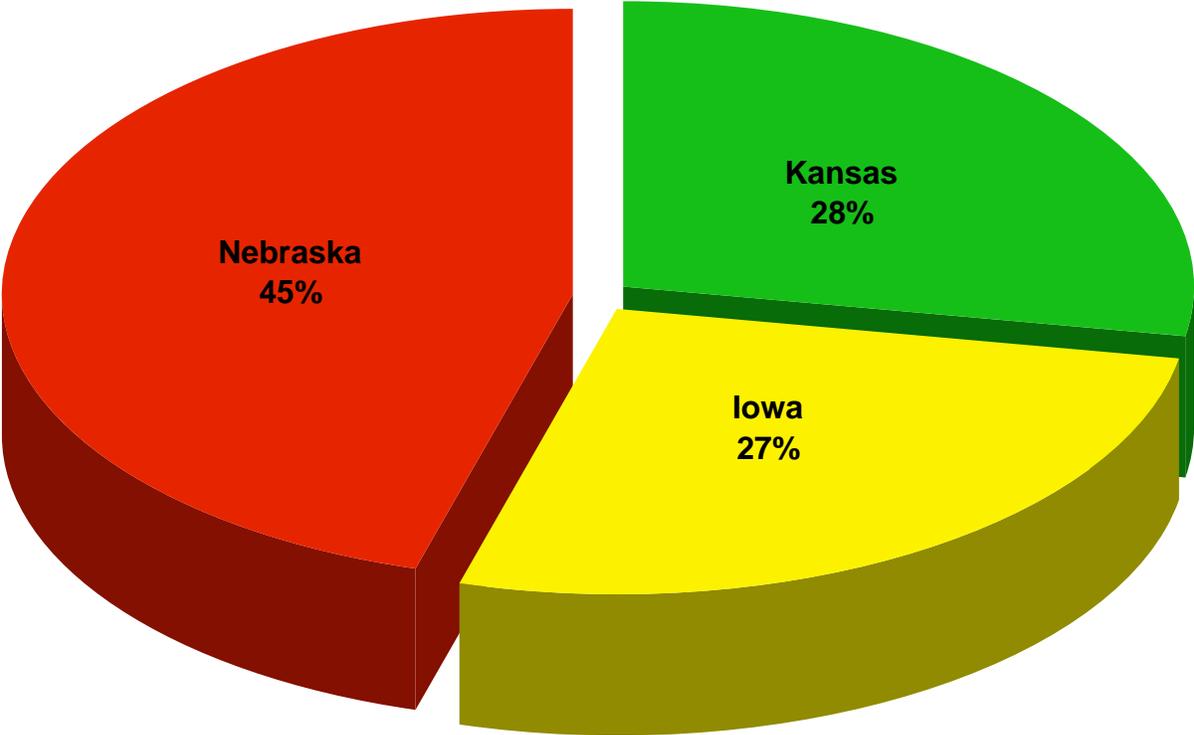
Ages of Senior Officers

■ Under 40
 ■ 40-50
 ■ 50-55
 ■ 55-60
 ■ 60-65
 ■ Over 65

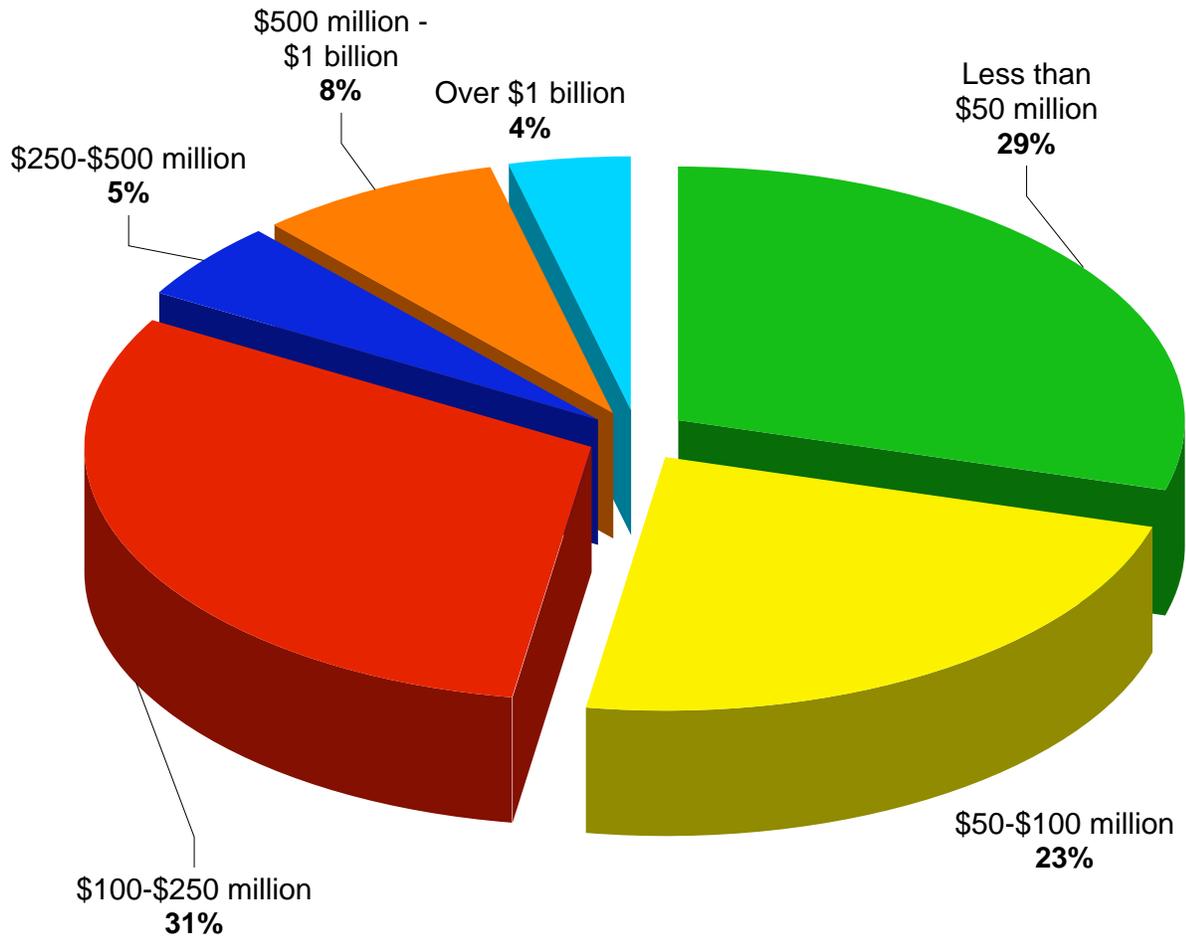
*Results exclude NA responses



Family-Owned and Closely-Held Financial Institution Survey
What state is your institution located?

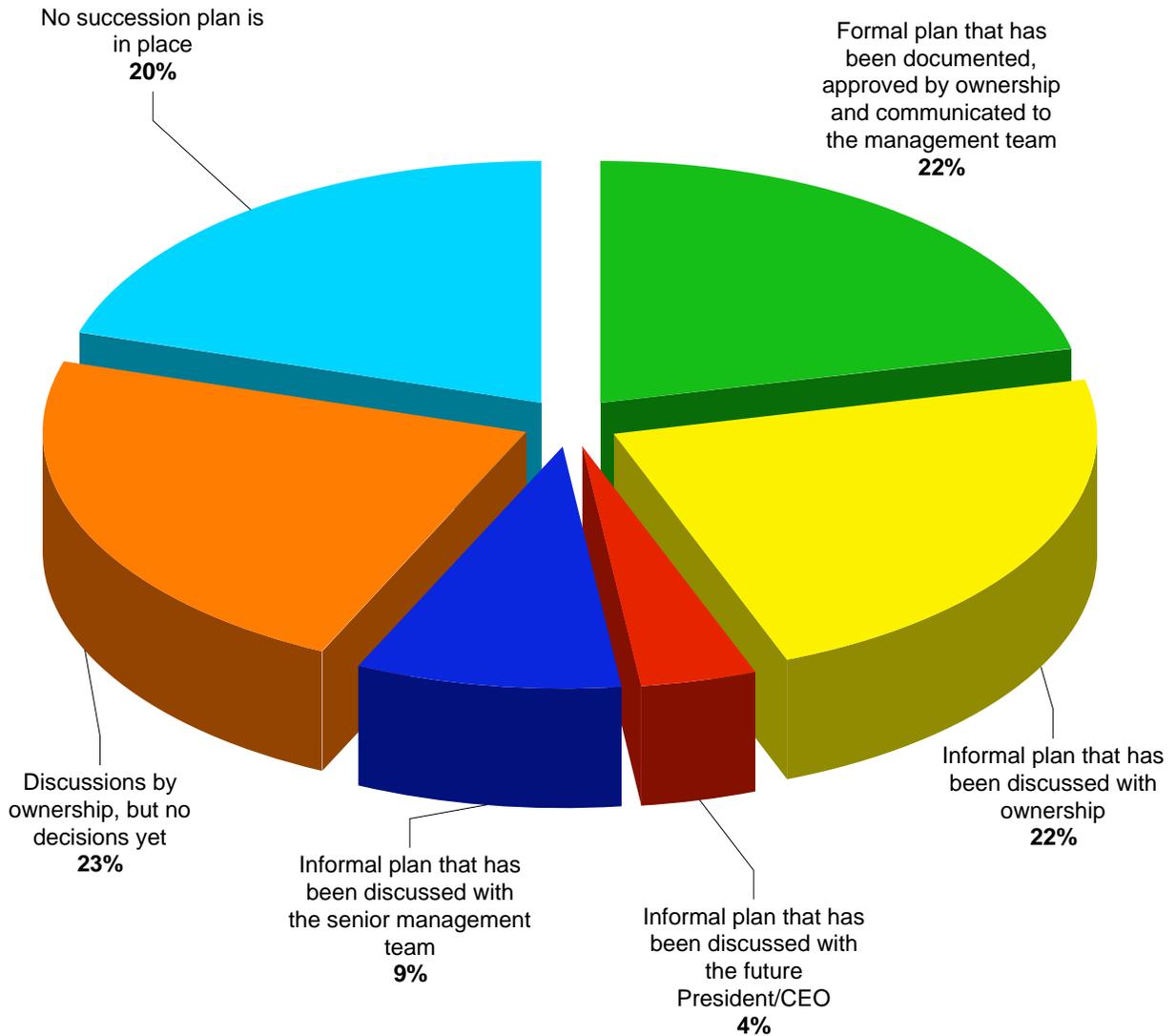


Family-Owned and Closely-Held Financial Institution Survey
What is the size of your institution?



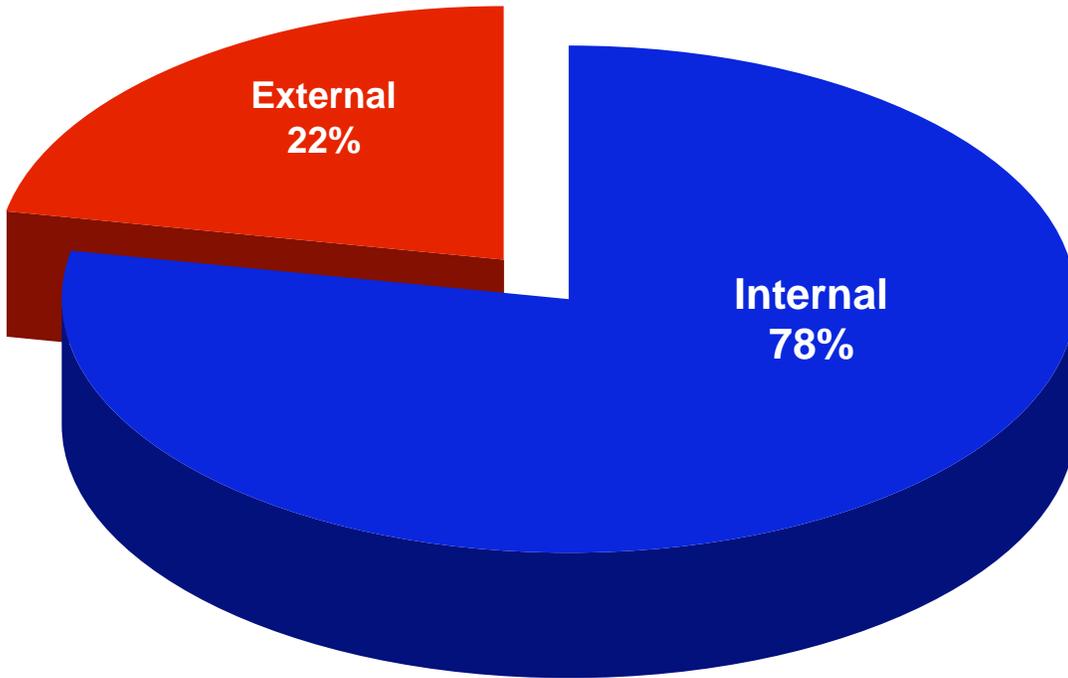
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Which statement comes closest to describing your current management succession plan?



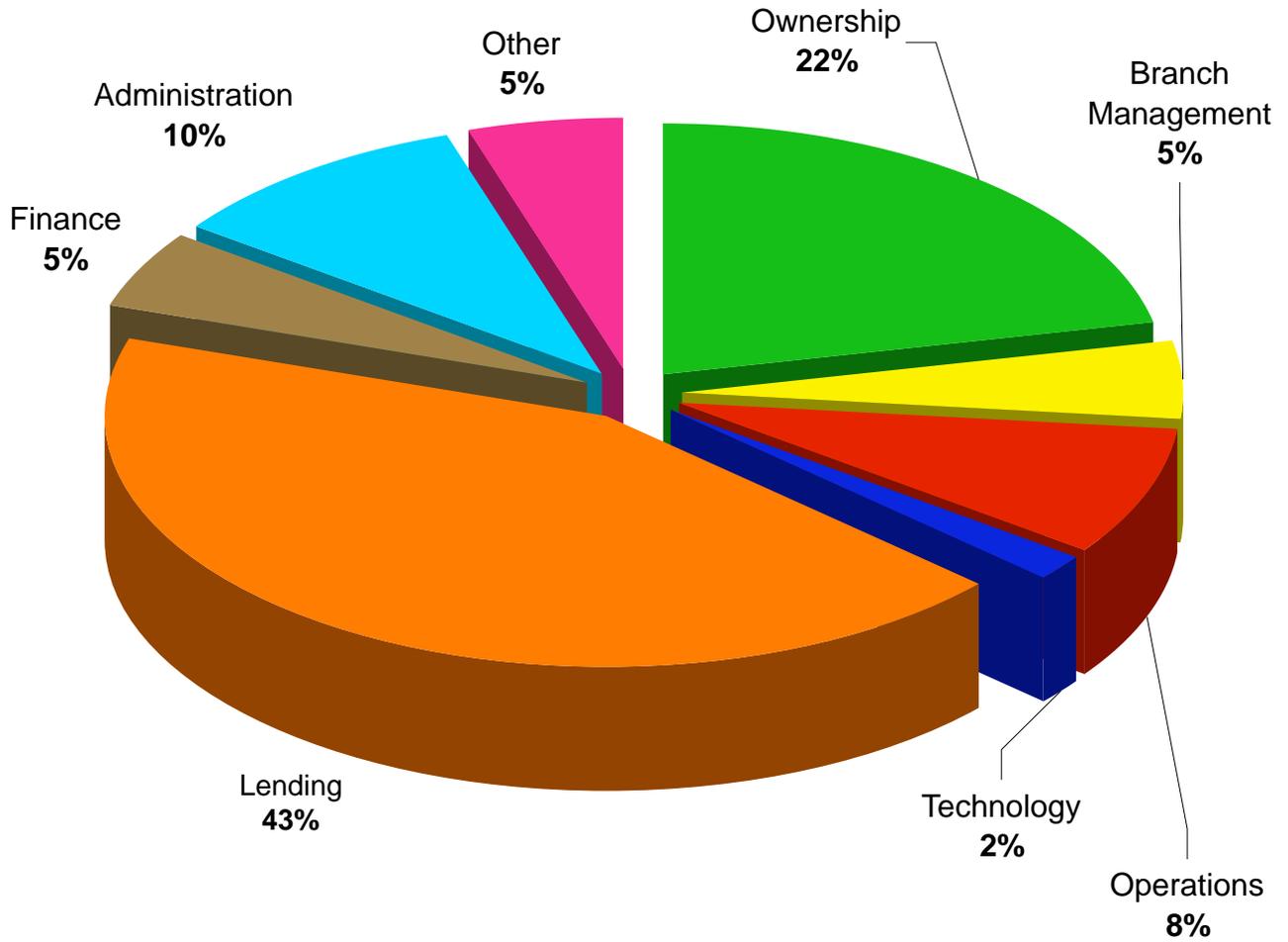
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Do you expect your future company leadership (President/CEO) to come from an internal or external source?



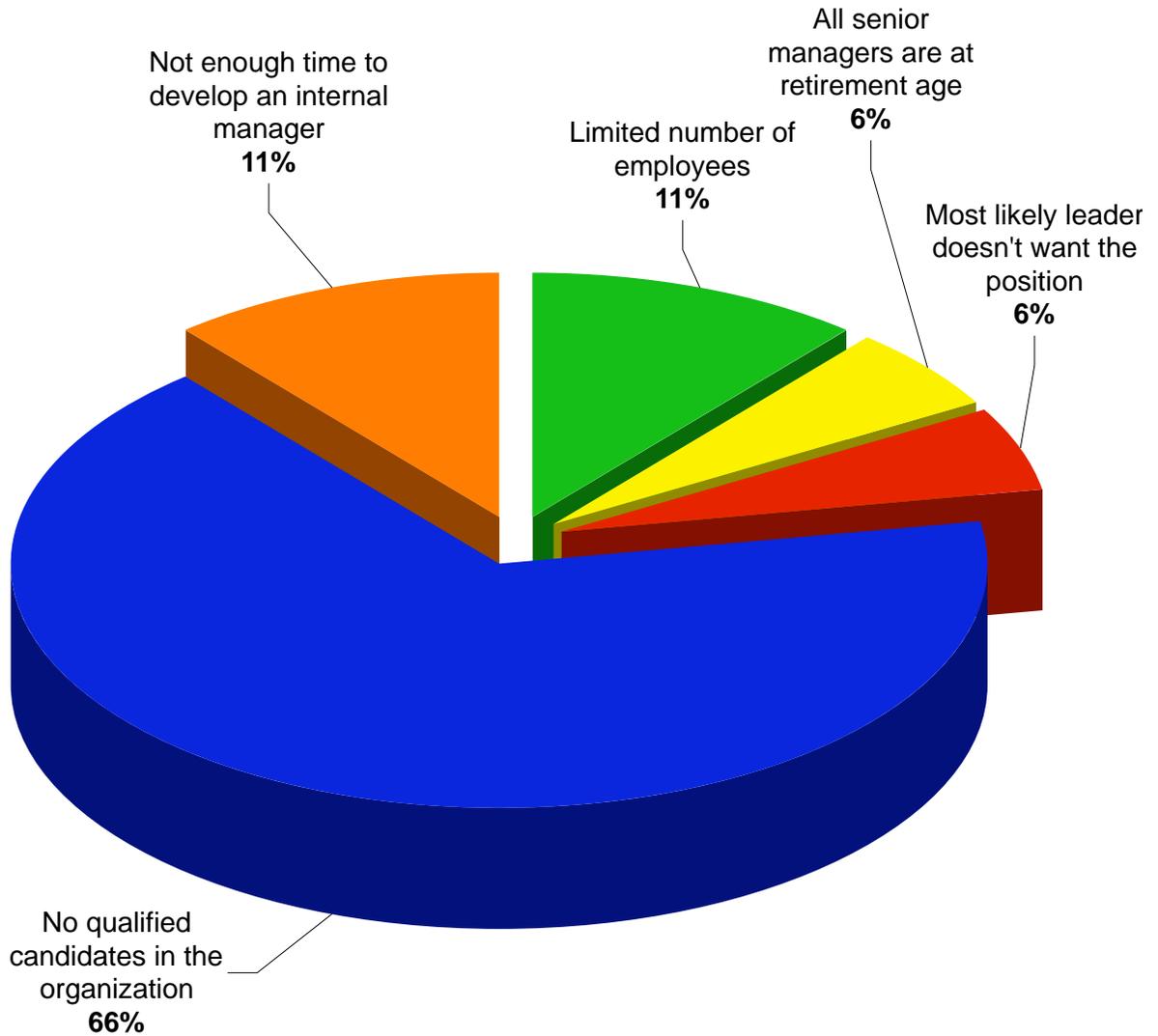
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If your future President/CEO will come from an internal source, what area of the bank is the senior manager in today?



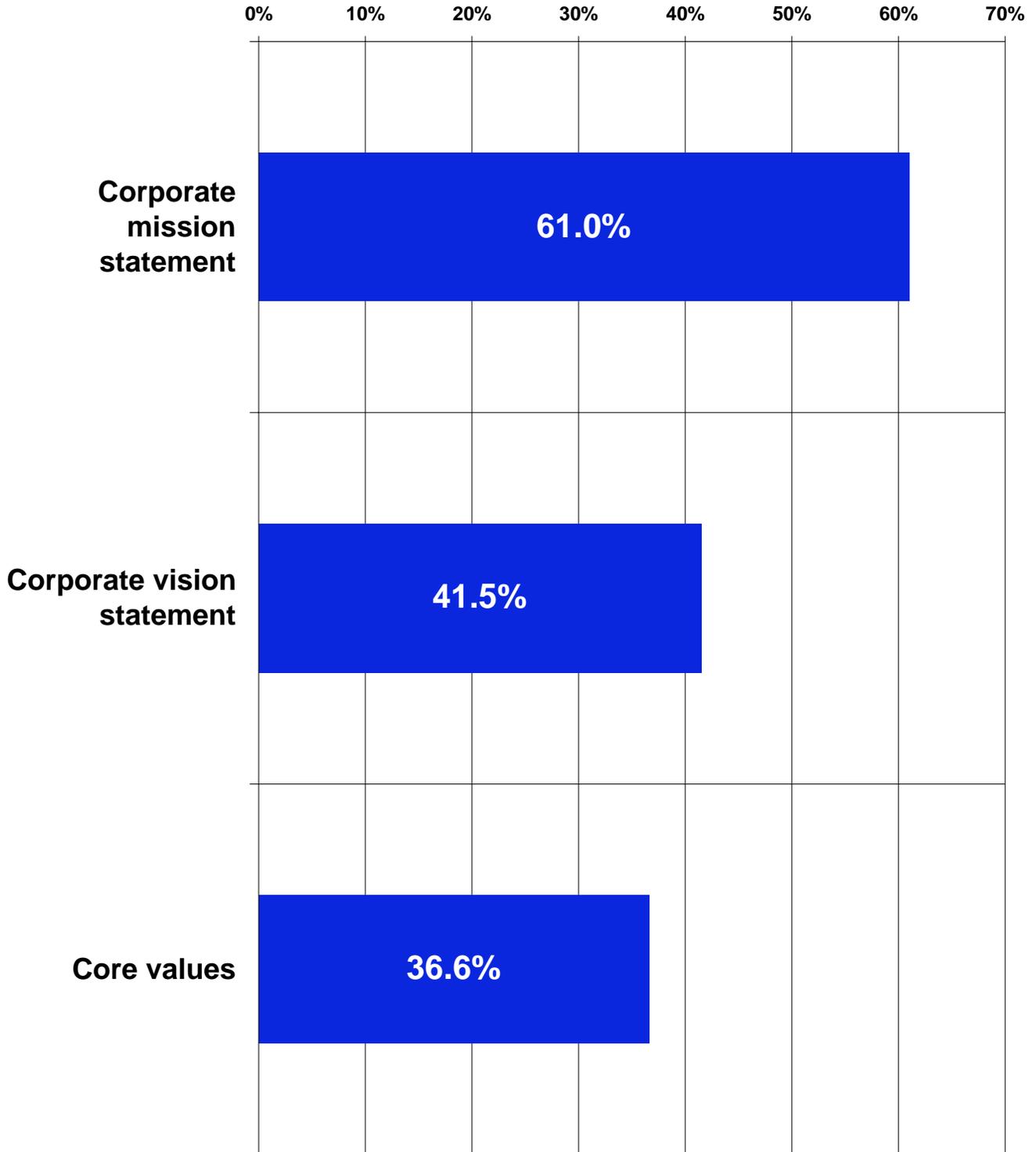
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If your future President/CEO will come from an external source, which statement describes the reason.



Family-Owned and Closely-Held Financial Institution Survey

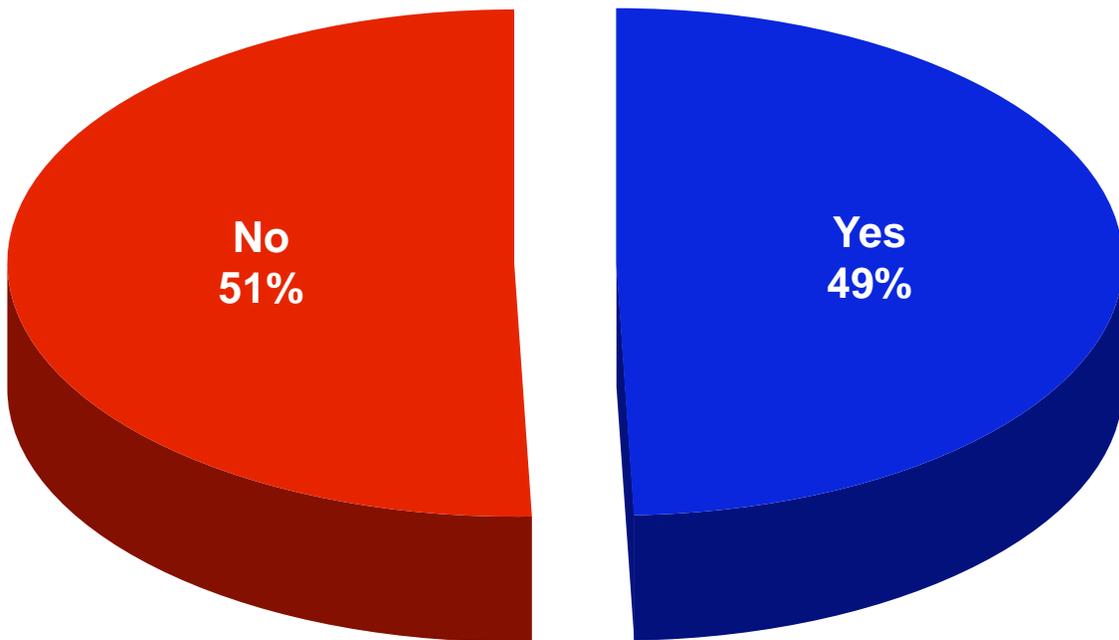
Which of the following items have been developed and documented for your organization?



* Multiple choices allowed

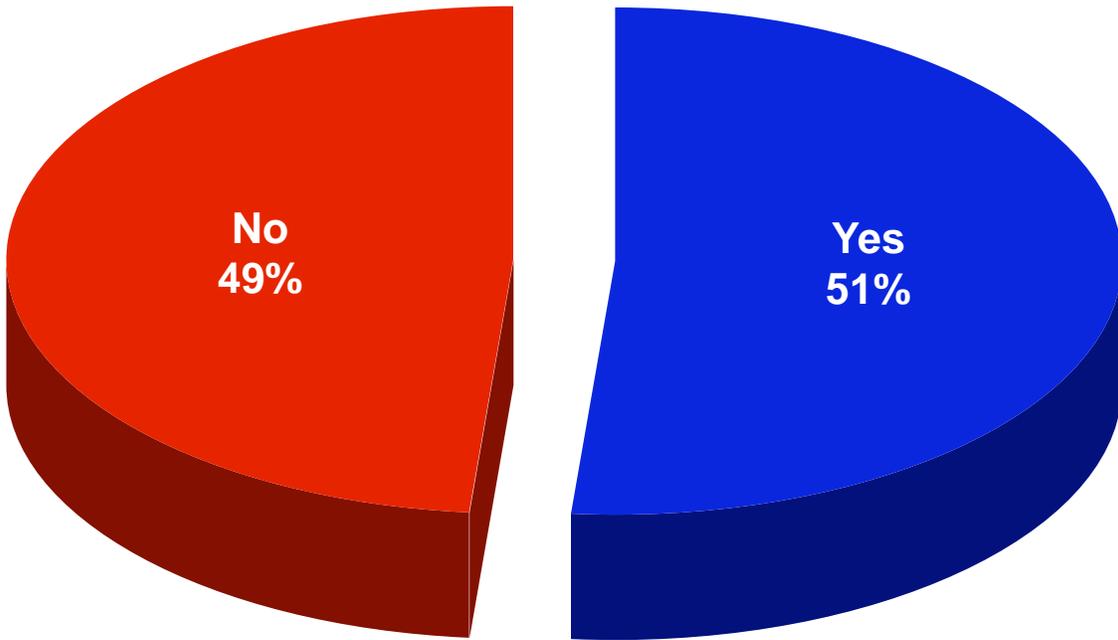
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Does your organization have a three to five year strategic plan in place to direct bank decisions and activities?



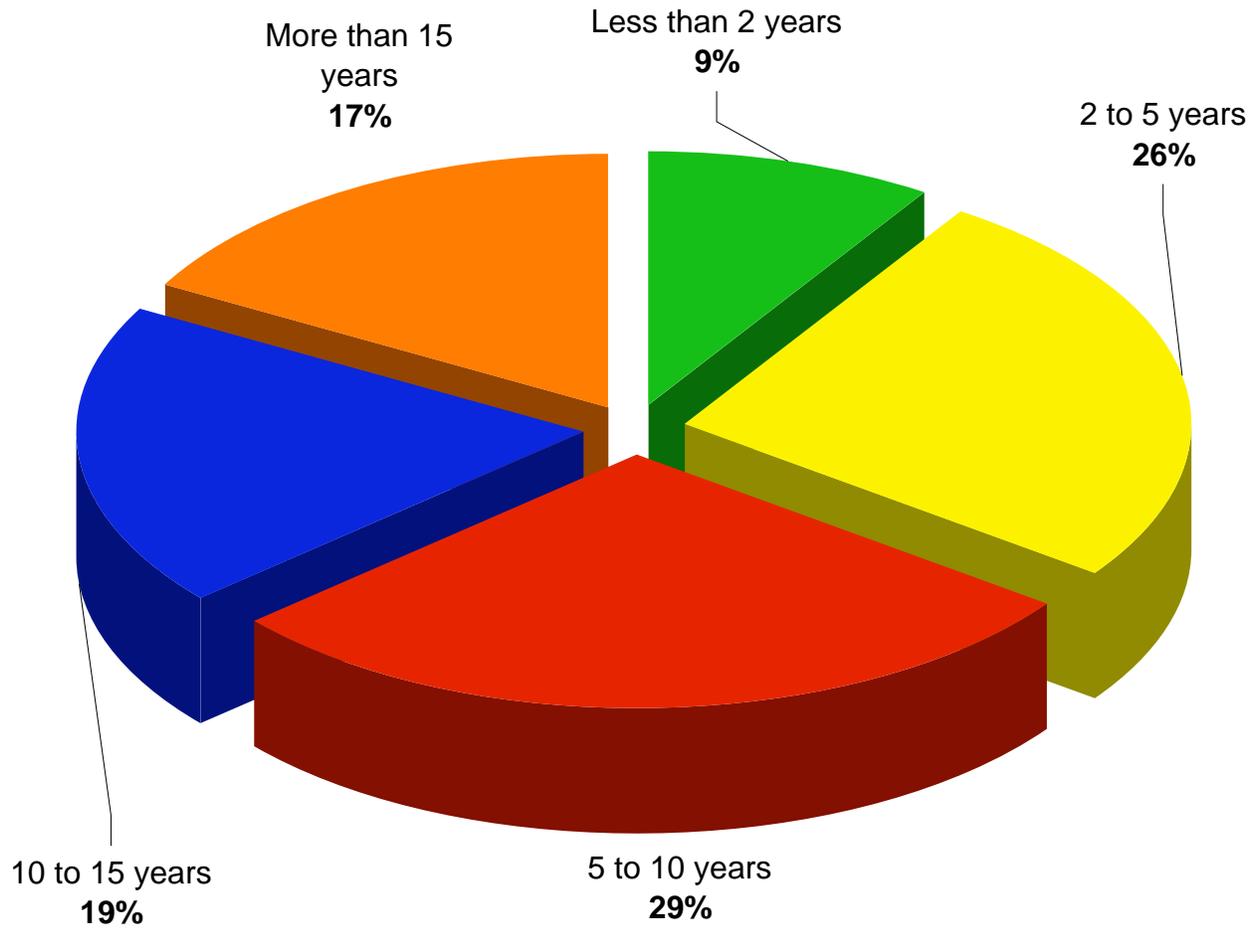
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Do you have a formal strategic planning process that is used consistently by your organization?



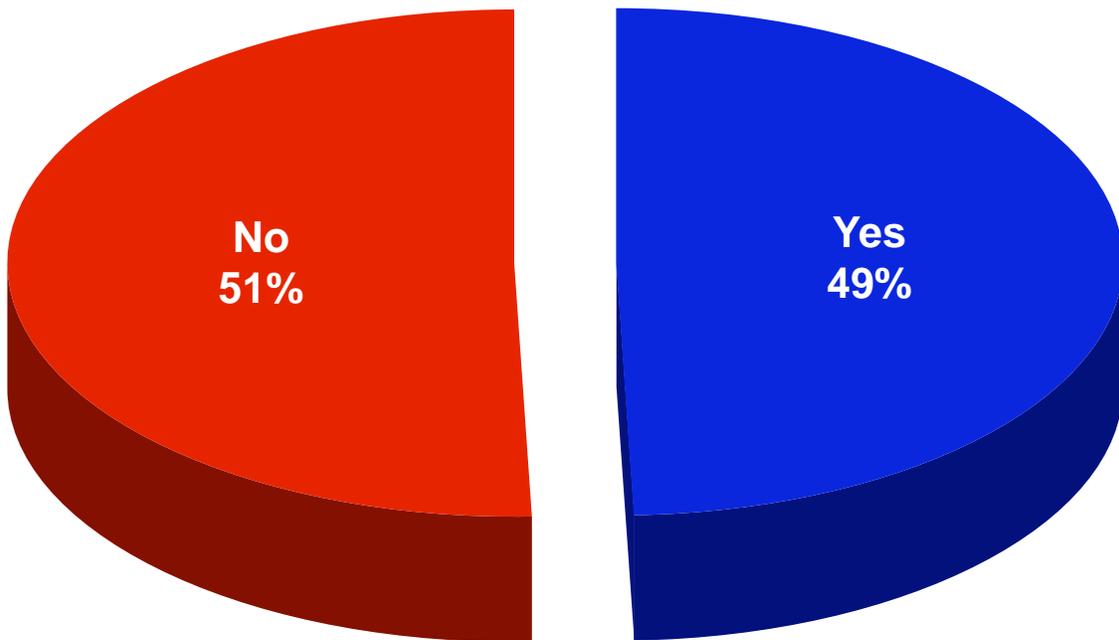
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How soon do you expect to transition to a new President/CEO at your institution?



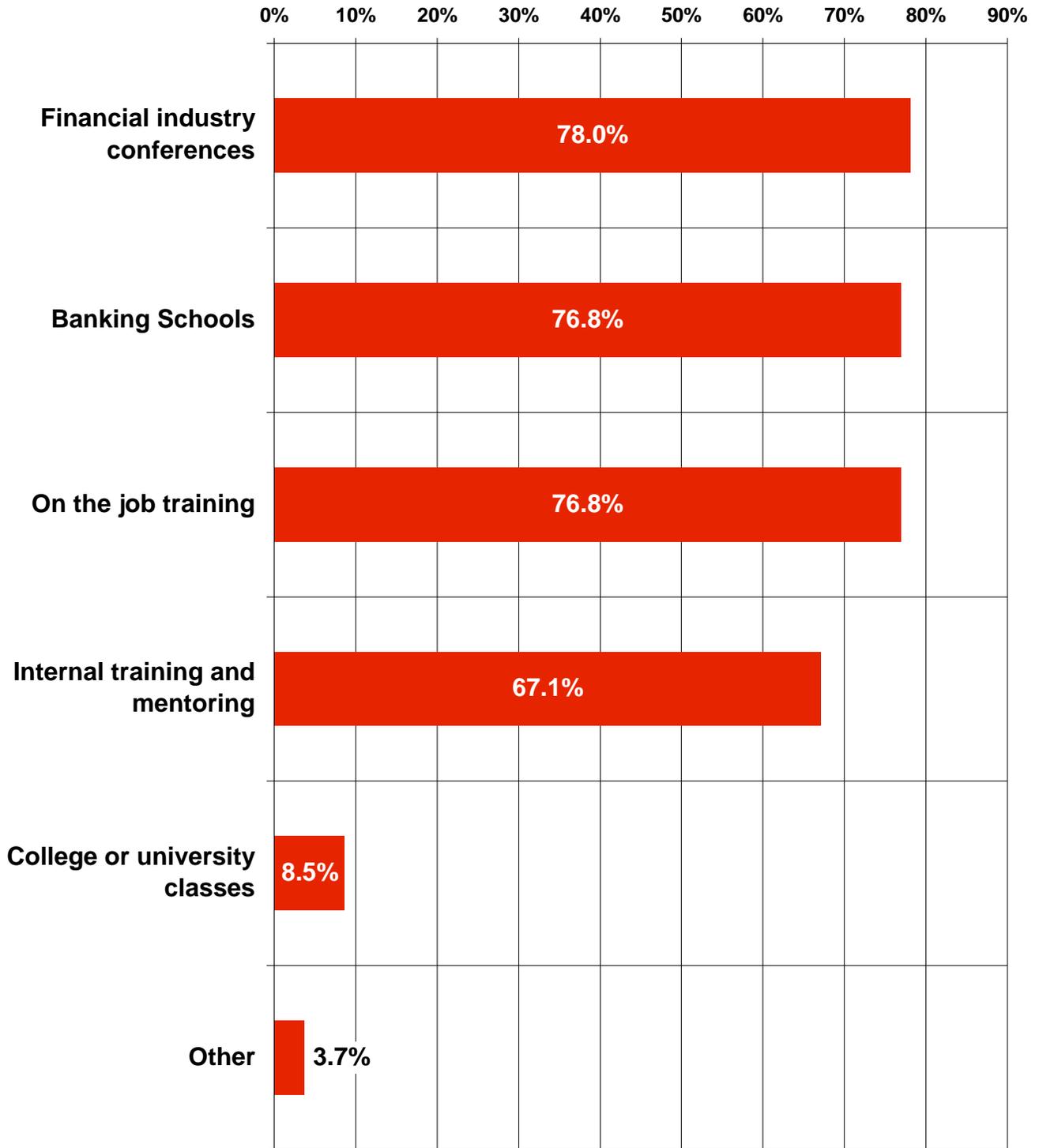
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Do you have a plan to develop and expand the leadership and management skills of your senior managers?



Family-Owned and Closely-Held Financial Institution Survey

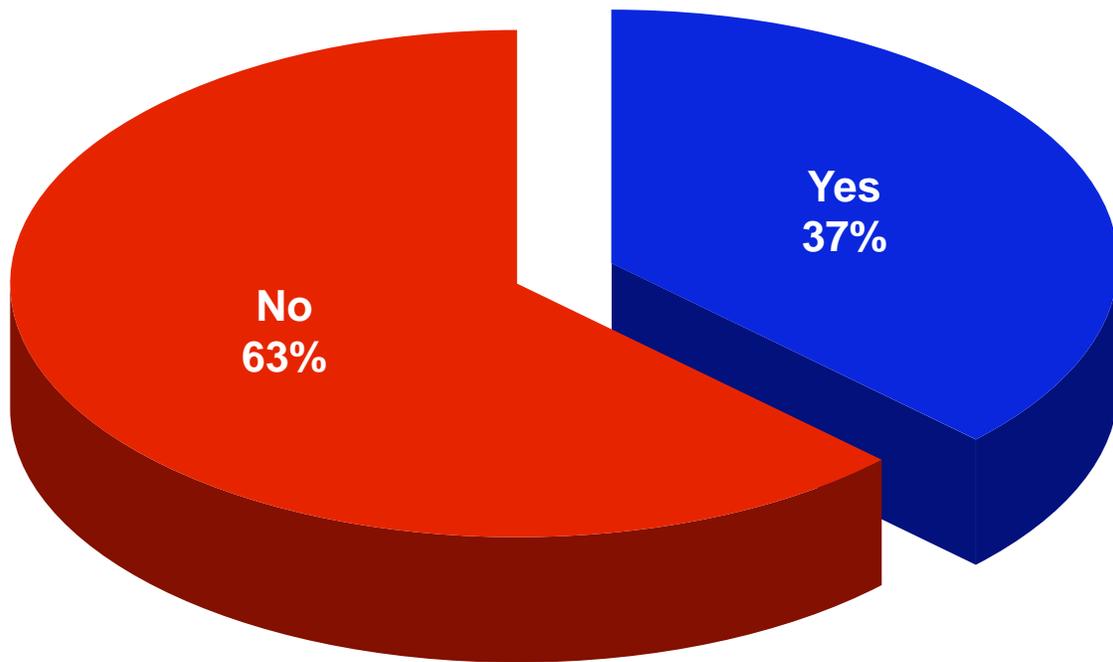
What development resources are you currently using to enhance the leadership and management skills of your senior managers?



* Multiple choices allowed

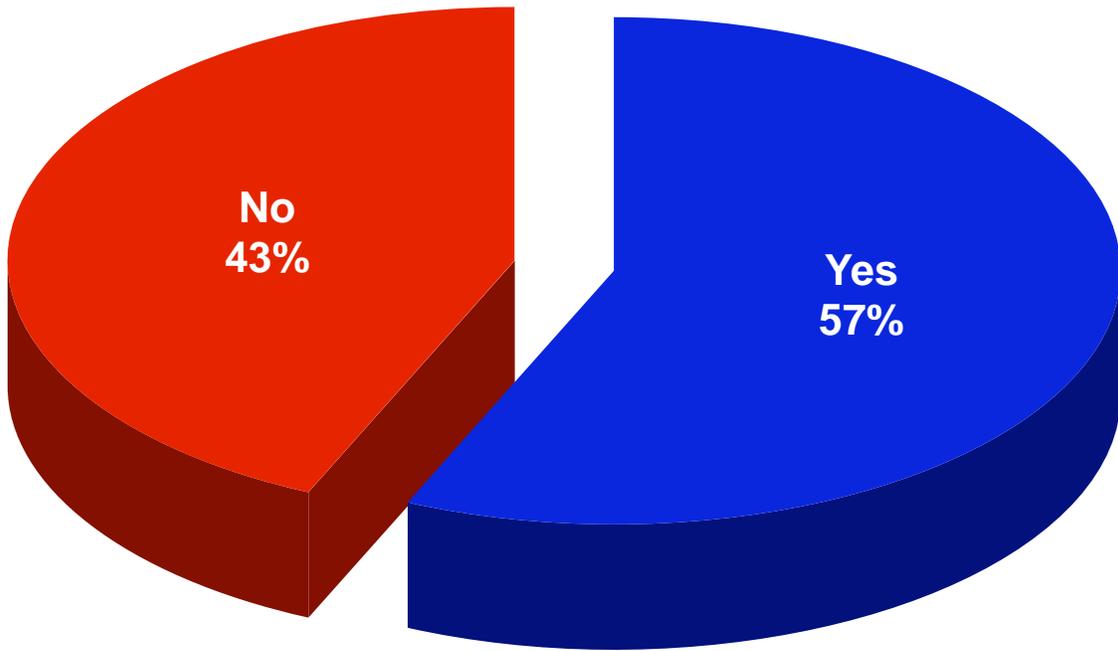
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Do you have a plan in place that defines the anticipated ownership structure for the next 10 years?



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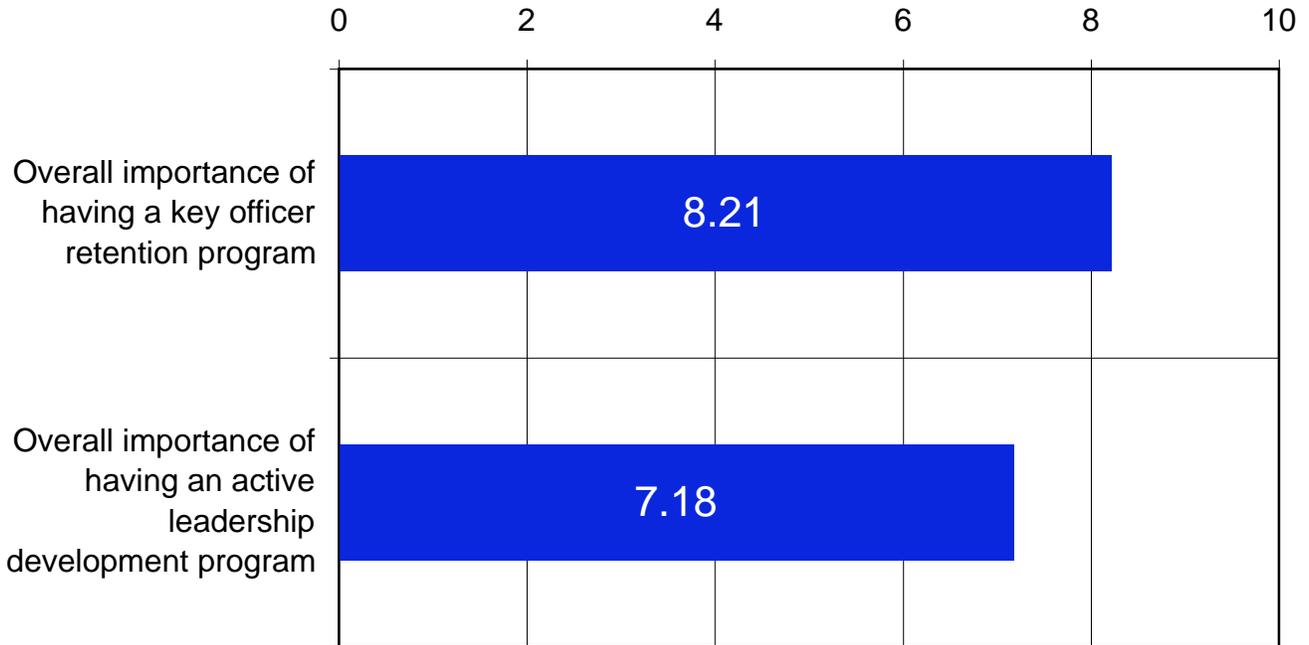
Does your organization have a system or program in place to proactively retain key senior officers?



Family-Owned and Closely-Held Financial Institution Survey

Average Importance Rating

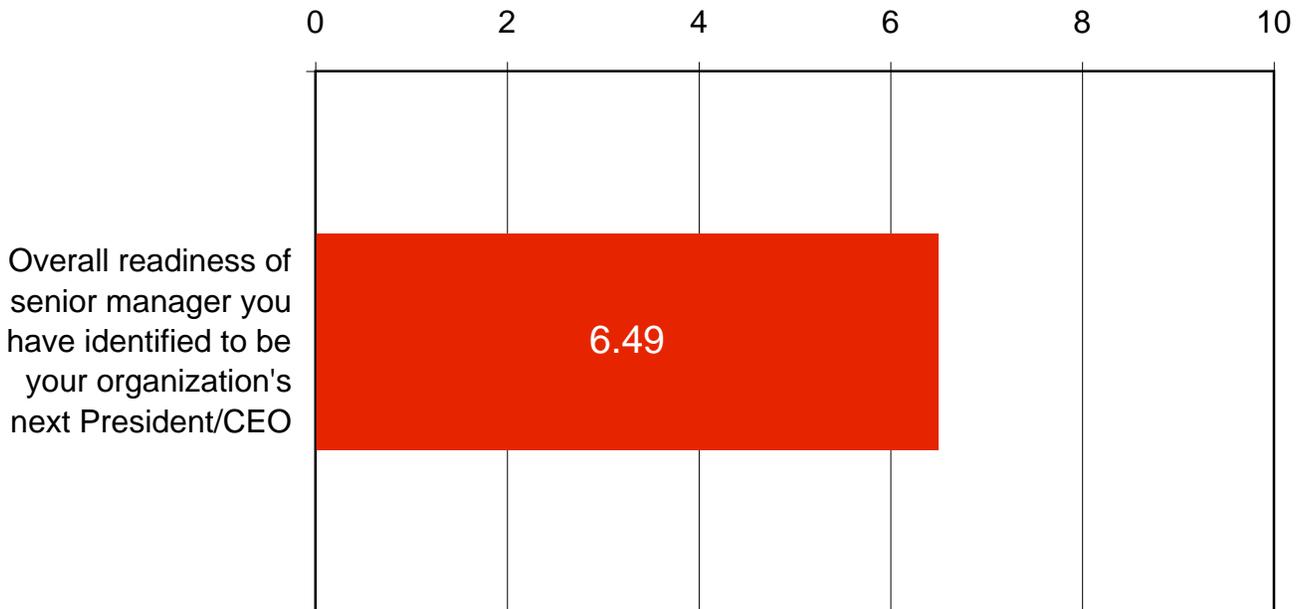
Uses scale of 1=Not at all Important and 10=Extremely Important



Family-Owned and Closely-Held Financial Institution Survey

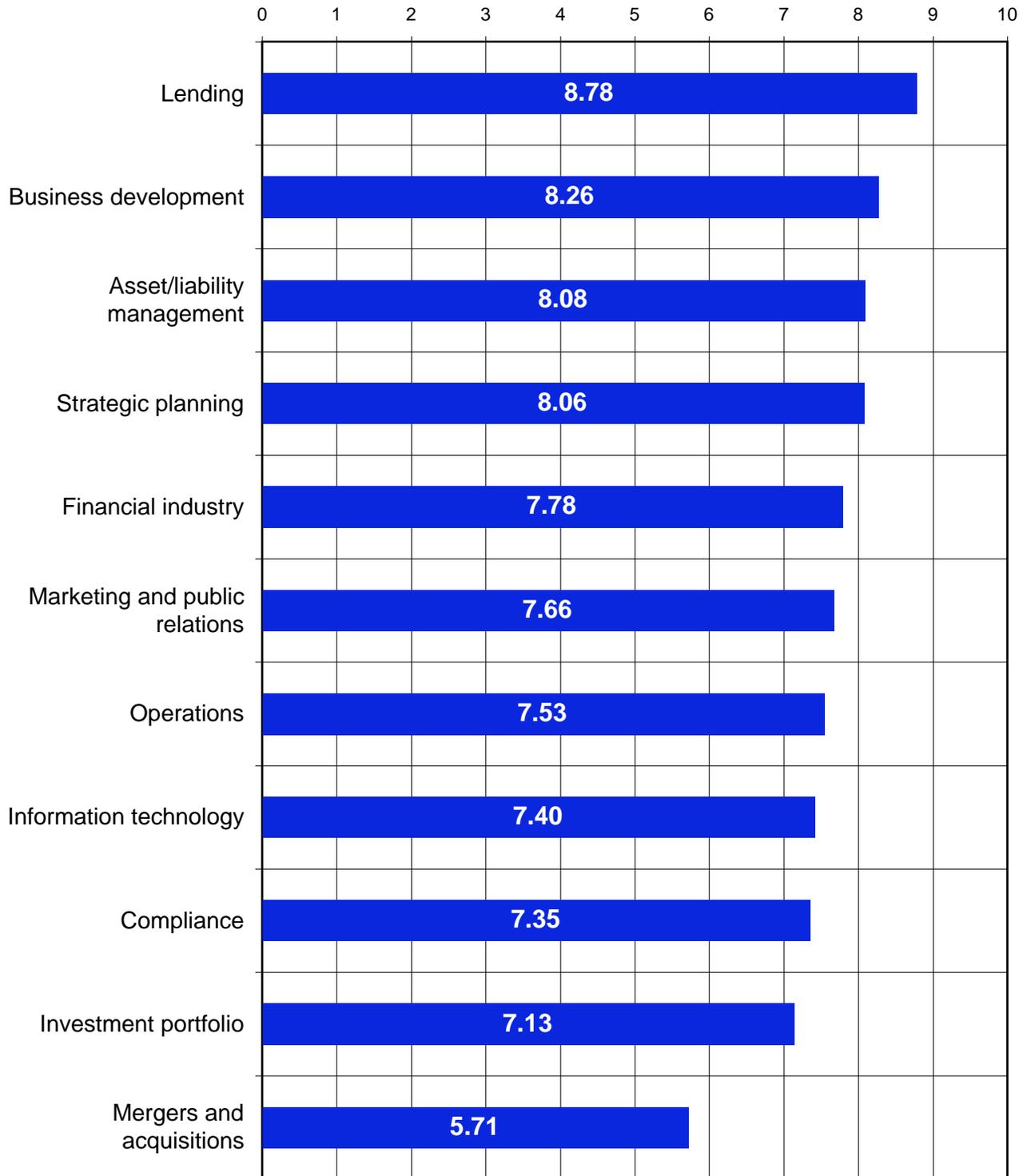
Average Readiness Rating

Use scale of 1=Not at all Ready and 10=Ready to Go



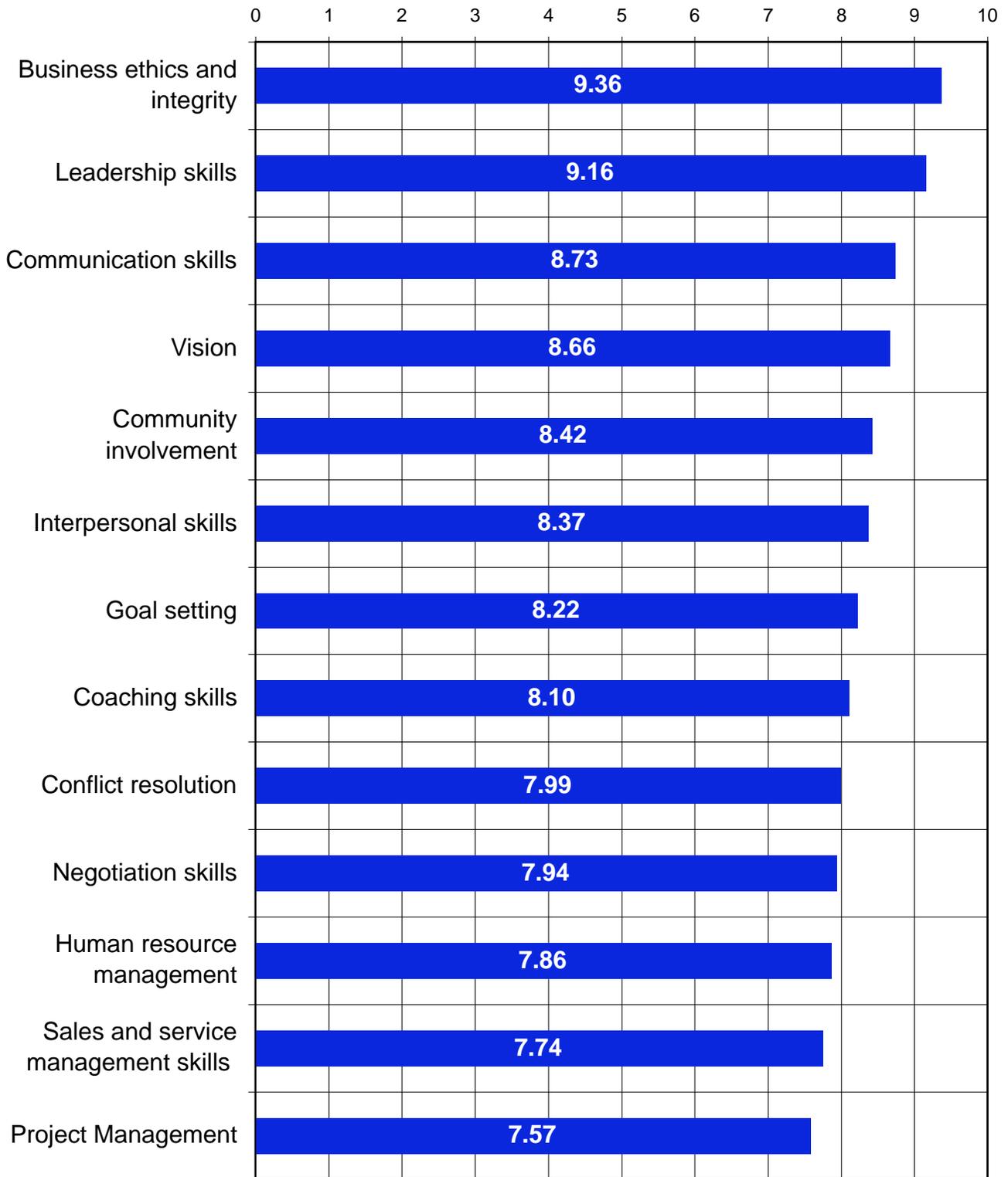
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Average importance rating of **BANKING KNOWLEDGE** in the success of your next President/CEO.



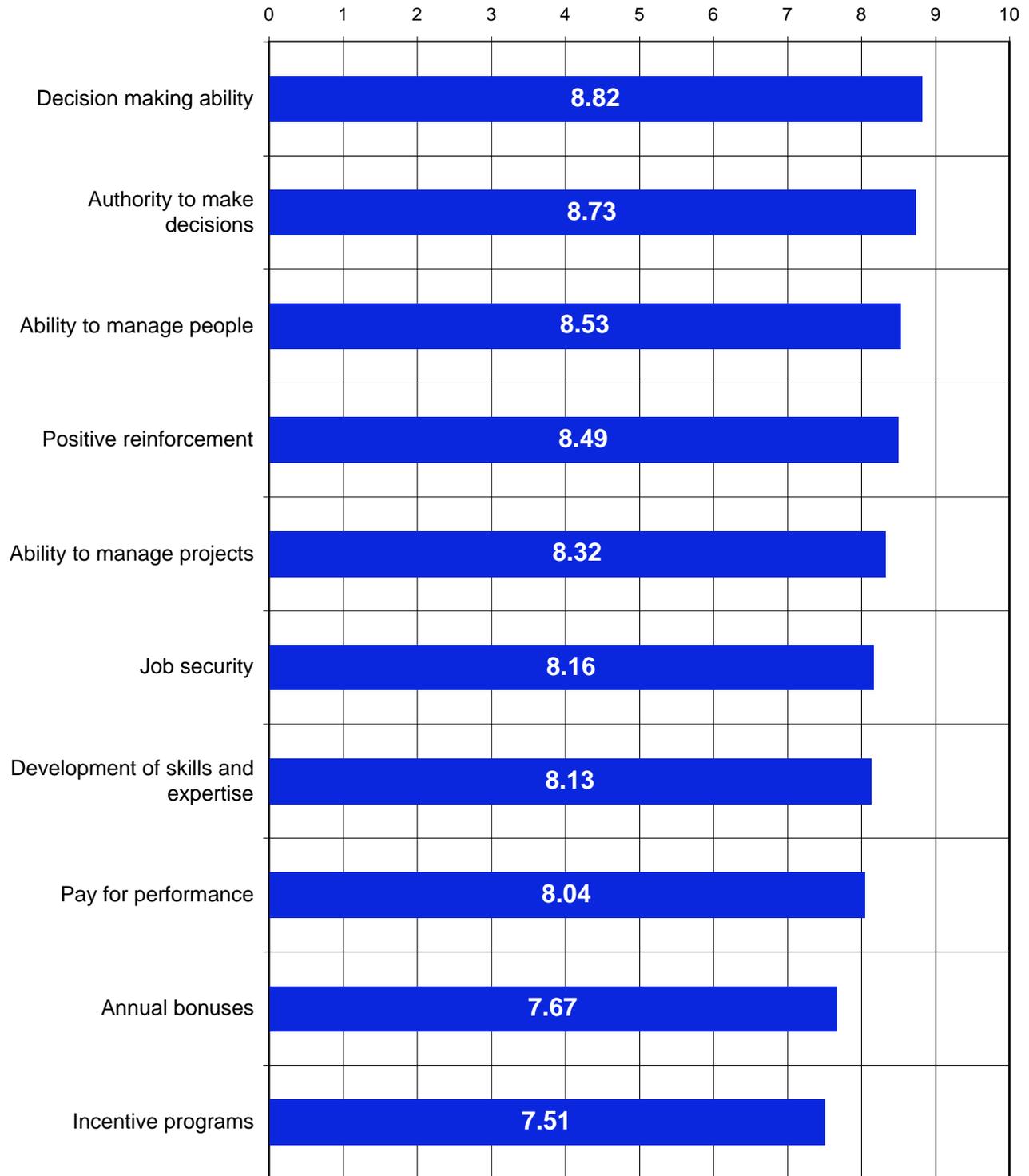
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Average importance rating of MANAGEMENT SKILLS to the success of your next President/CEO.



Family-Owned and Closely-Held Financial Institution Survey

Average importance rating of the following items to the success of developing and retaining key officers at your organization.



Closely-Held and Family-Owned Bank Ownership Survey Comments Summary

<i>What are the top three challenges and/or opportunities identified in your current strategic plan?</i>	
Technology	9.4%
Relationship and customer retention	6.5%
Business development and sales cultures	12.2%
Staff development	9.4%
Profitability	12.2%
Deposits and funding	10.8%
Loan growth and quality	4.3%
Competition	9.4%
Compliance	10.1%
Succession planning and leadership	7.2%
Other	8.6%
<i>What are the most critical challenges faced by the owners of closely-held and family-owned banks?</i>	
Profitability	6.6%
Competition	4.4%
Shrinking markets and market share	4.4%
Attracting buyers to the bank	4.4%
Compliance and regulatory burden	7.7%
Succession planning and leadership	49.5%
Other	23.1%
<i>What opportunities must closely-held and family-owned banks address in the next two years?</i>	
Technology	13.2%
Growth, acquisition, mergers, expansion	47.1%
Succession planning and leadership	17.6%
Future staff	5.9%
Taxation	5.9%
Other	10.3%
<i>List one thing that is critical to the success of a closely-held or family-owned financial institution in today's financial service environment.</i>	
Capital	8.8%
Management decisions and communications	25.0%
Management selection, retention and development	47.1%
Customer service	13.2%
Other	5.9%
<i>What are your organization's top two challenges related to retention of your existing senior managers?</i>	
Ownership opportunities	29.8%
Compensation and benefits	65.5%
Other	4.8%

Family-Owned and Closely-Held Financial Institution Survey

What are the top three challenges and/or opportunities identified in your current strategic plan?

- Business Development
- Retention
- Technology
- Trust
- Investment Services
- Maintaining an acceptable level of profitability
- Remaining an independent community bank
- Sufficient capital to fund growth
- Profitability
- Maintaining a downtown area
- Core source of funding
- Acquisition
- Sales Culture
- Staff
- Core deposits
- Risk based capital requirements
- Effective senior management
- Challenges:
 - Succession
 - Cost of Business vs. Return (Increased Auditing, Compliance and Technology)
 - Changes in Employee/Responsibility Structure (more people must do more things)
- Opportunities:
 - Agricultural Opportunities
 - Opportunity for more efficiency/branching through technology
- Management succession
- Proper organizational structure
- Compliance
- Internal audit
- IT security
- Interest Rate Risk
- Potential increases to competition
- Credit risk (lack of diversity)
- Staffing in rural markets
- Management succession

- Growth opportunities
- Net Interest Margin
- Staff Development
- Core Deposit Growth/Loan Growth
- Finding and retaining top talent
- Decreasing NIM
- Expenses for technology and people
- Making fewer mistakes than the competition
- Dealing with regulation
- Core deposit growth
- Quality loan growth
- Technology changes
- Bank Regulation
- Regulatory burden
- Bank and non bank competition
- Retaining talent
- Regulatory - compliance issues
- Keeping pace with technology
- Fighting fraud and identity theft
- Increasing core deposits
- Maintaining an efficient and vibrant staff
- Maintaining or increasing shareholder values
- Opportunities: Having an established relationship oriented bank with high asset qualities in a variety of markets ready to make loans in the current environment.
- Challenges:
 - Current interest rate margins
 - Aging population in many of our markets.
- Shrinking margins profitability (remaining at a high enough level to service debt and dividends, etc, and taking on new branch)
- Growing core deposits
- Building relationships
- Difficult market demographics
- Hyper competitive industry
- Ongoing attraction of top notch talent
- Growth competition (bigger banks getting into the community bank's arena) getting the message out of how we are different
- Growth of Loans and Deposits
- Improve Non-Interest Income and Lower Non-Interest Expenses
- Improving physical facilities and technology for the future
- Improving net interest margin and operating efficiency
- Developing a sales culture bank wide
- Develop a strategy for market growth
- Hiring qualified officers/employees
- Dealing with excessive, cumulative & burdensome regulation
- Competing against tax advantaged or regulatory advantaged entities.

- President is 58 yr old and future president is 52 yr old. Our number one challenge is finding younger personnel to move to a small town and train for a management position to succeed present management.
- Retain Deposits
- Consider another bank purchase
- Possible merger
- Profitable growth
- Finding good employees/officers
- Sustain asset quality
- Challenges:
 - Core Deposit Growth
 - Sales Culture
- Opportunities:
 - Technology
- Increase and manage non-interest income
- Obtain more exclusive e-based accounts
- Build residential mortgage portfolio
- To see which one of my two sons will grow to be able to take over the CEO duties or to see if the duties can be split between the two and see the Bank being properly managed.
- To develop the Wichita Market in a manner that will add to the other three markets which have less potential
- To continue to take care of our employees with a good Salary/Wage/Incentive Program and to provide the needs of our customers to where our customers will be pleased with what we provide and will continue to increase their business relationships with us.
- Deposit retention
- Net Interest Margin maintenance
- Information Technology- new products, security
- Competition
- Growth
- Earnings
- Being able to utilize technology at a reasonable cost earnings
- Finding more loans
- Profitable Growth
- Organization Structure
- Funding
- Attracting, developing and retaining quality people
- Increase core deposits
- Improve information systems and processes
- Managing growth
- Hiring competent middle management
- Competition
- Non bank competitors
- Over burdensome regulation
- Funding source to allow loan growth

- Management succession
- Core growth
- Information technology issues
- Declining population
- Competition on rates both deposits and loans
- Compliance issues
- Management succession
- Staying independent
- Expanding into nearby larger market
- Speed of technology change
- Un-equal competition from credit unions, farm credit and other government agencies
- Burden of regulations
- Securing and maintaining core deposits
- Efficiency ratio
- Profitability
- Finding good employees to work anywhere in the bank
- Deposit Run off as population ages
- Costs of compliance
- Growth
- Profitability
- Identifying, developing and retaining key personnel
- Increasing competition, from bank and non-bank lenders
- Declining rural population
- Thinning net interest margins
- Competition
- Regulations
- Compliance
- Continuing to grow in a small rural environment
- Competition with non-bank competitors
- Hiring and maintaining expertise

What are the most critical challenges faced by the owners of closely-held and family-owned banks?

- Continued growth/profitability
- ROE
- ROA
- Tax Burden - on-going as well as estate taxes
- Balancing family interests/concerns/dynamics with operating the bank as effectively/efficiently as possible
- Estate planning and having the family agree on the direction the bank should take
- We are a closely-held bank. The 2 top executives own 26% and the majority owner owns 51%. The majority owner is very active in the management of another bank but only attends the board meetings at our bank. He allows the 2 top executives to run the bank. Our biggest challenge is how to set up a deferred comp plan that is fair to all. Buying out the 51% owner at a later date is likely not a difficult issue.
- Finding and/or developing competent management
- Generational transfer and leadership
- Succession planning
- Stock transfer
- Retention of competent managers
- Competition from other banks
- Keeping stride with technology
- The bank is owned by two individuals, non-related. Each owning 50% of bank. One individual is 34 year of age and the other is 59 years of age. Banks CEO/President is father of 34 year old, and will be retiring in 2-5 years.
- Size
- Margin as expenses rise
- Finding and retaining good employees
- Hiring and retaining competent management
- Balancing personal income needs with bank's capital needs
- Diminishing pool of quality officer candidates
- Succession disinterest of younger generation in running the bank estate issues
- Shrinking customer base
- Shrinking talent pool for the bank to employ
- Increasing regulations
- Cost of technology
- Next generation and if they'll keep or sell
- Separating business issues and personal issues.
- Consistent communication
- Keeping up with regulation
- Family relationship transition from one generation to the next
- Hire and retain quality people
- Succession planning

- Family harmony
- Management succession
- Meeting the requirements of the regulators i.e. independently securing audits etc. etc.; and have directors that are willing and interested in reading the required regulations' etc. etc.
- Estate taxes
- Better economic opportunities elsewhere for the next generation
- Divesting themselves of the asset if they no longer see the family in the continued operations of the bank in the next generation
- Keeping non-owners interested and acting/thinking like owners
- Within the family owned bank especially, the next generation may not be the best leaders in the organization, but the task will fall to them anyway.
- Planning for orderly and efficient transfer of power and ownership
- Empowerment for non-family, non-owners in management
- Getting and keeping the right talent
- Providing a framework for the next generation to succeed
- Keeping a harmonious family group working toward the same goal
- Keeping up with technology
- Finding qualified employees in semi-rural setting
- Reducing regulatory burden
- Succession of current management
- Whether to sell the bank or expand
- Retaining good staff
- Growth Profitability
- Deciding whether to sell or retain ownership
- Getting family members on the same page (communication)
- Communicating future plans to key employees
- To treat family members fairly and to require them to perform and earn their promotions
- To put the future management in a position of knowledge and abilities that will earn the respect of their associates and employees
- Regulatory environment is horribly onerous on small institutions; the category in which most family-owned banks reside.
- Communication with the family Estate planning. Involvement of family members.
- Determining if someone in the family has a genuine interest in joining the bank. Educating the next generation as current board members in order for them to have an overall understanding of what is involved in operating a bank.
- Employees don't understand why dividends are paid
- Finding talent to fill key positions
- Raising the required capital to support 15% to 20% annual organic growth, while remaining a Sub S charter and not having ownership % diluted.
- Being able to balance the family vs. business aspect of the bank as the 2nd and 3rd generations become more integral in the decision making process.

- Being able to deal with non performing family members or situations that occur with a family member that is employed at the bank
- Communication to the family and non-family employees. Knowing how much and when to communicate key information.
- Government regulations
- Market share
- Retaining value of the bank
- Determining the right time to sell
- Adequate capital for expansion
- Hiring competent management
- Competitive environment
- Key people retention and engagement
- Preparing the next generation to take over day to day management
- What to do with the bank, if family is not interested in running it. If they are, we need to expand to stay viable for the next generation.
- To have on board a strong President or CEO Leader
- Estate and inheritance taxes
- Complex business
- Business savvy in rural America relationships among non-family directors having written agreements in succession etc. ---securing individuals who are willing to take on the risk and put forth the time needed to be a good director; in accordance with the regulators
- Retaining existing customer base and deposits
- Expanding the customer base while maintaining good asset quality
- Attracting and retaining key personnel
- Marketability of the bank to possible buyers
- Competition
- Capital
- Regulatory burdens
- Maintaining and retaining competent management
- Ownership must have excellent oversight of the management group while allowing the management group the freedom to use their management skills.
- Ability to stay independent and continue with acceptable profitability and margins to compete against non-bank and large bank corps.

What opportunities must closely-held and family-owned banks address in the next two years?

- Embrace Technology--stay ahead of the curve
- There has to be a value proposition with the family as well as the new and existing customer base that makes a family-owned bank an advantage to all constituencies.
- Acquire or be acquired
- If an opportunity to expand comes up, are we on the same page?
- Technology, which is both an opportunity and a challenge
- Will they be an acquirer or acquiree?
- Estate tax regulations
- Obtaining customers from merged or acquired institutions
- Customer relations
- Older owner does not wish to make any plans
- Succession will be crucial for these banks
- Finding and retaining good employees, as well as identifying potential up and coming prospects within the business
- Putting together a strategic plan that addresses the long term and short term strategies for a bank
- Applying a mission and vision to operations that can be implemented throughout the business/branches.
- New CEO will bring fresh ideas
- Long term plan for growth
- For our bank, I believe we must aggressively pursue additional markets to ensure growth continues.
- Selling to regional or super-regional institutions positioning for growth
- Stay afloat
- Next generation and their plans
- Large banks in the rural areas looking to buy family institutions
- Buy out prior generation
- How much to pay for technology changes
- Flexibility and willingness to compete as a hybrid
- Embracing technology to continue to provide outstanding customer service
- How to provide mechanisms that allow for transfer of ownership to internal parties without having to sell to disinterested outside sources.
- Estate tax reform
- Attraction of key employees
- How to set themselves apart from the competition. You can't out price the big banks, so what is your advantage?
- Commitment of dollars to technology
- Understanding that margins and spreads continue to shrink
- Loan growth will come from expanding beyond traditional, existing markets
- Expansion, market share

- Focus on bringing customers money back local to somewhere they can trust.
- Sub prime mortgage crisis & stock market fluxuations should allow for growth of core deposits.
- Succession plan
- Must look at growing or expanding to reduce costs
- Limited growth opportunities
- Satisfying ownership's different needs (some wanting sustained dividends and others wanting to grow the operation)
- Outline detailed succession plan and communicate that plan
- Put the knowledge they have been given to use in a way that it shows the leadership skills to lead the bank into the future, not because of their last name. To be able to have the vision to work toward providing the services and products to compete with the larger institutions as well as non bank entities providing banking products wanted in today's times at a profitable level.
- Alternative revenue sources in environment of continual interest rate margin pressure
- Efficiently and effectively managing the increasing regulatory burden to the satisfaction of regulatory agencies without damaging the bank's competitive image.
- The threat of Internet based products from "out-of-town" banks
- For our bank, direct family involvement of successor
- How to incorporate technology that will benefit the bank
- How do we look at expanding from a one bank shop to more than one shop - or do we remain a one bank shop?
- Positioning themselves to take advantage when other local banks are sold.
- As a state-wide banking organization, we have the opportunity to become the State's only consolidator. Or, we will be in a position to be the survivor in a merger of equals.
- Quality & qualified employees
- Pick up local residential borrowers that have been misled by mortgage companies.
- Technology Fee Income
- Interest Margin
- Estate tax changes
- We are Sub S - finding a way to get the next generation ownership without gifting or inheritance.
- Growth of the business
- Whether to acquire or be acquired or stay independent as a single bank
- Watch estate tax laws, more training of key personnel
- Profitability and return on investment
- Maintaining and obtaining quality management
- Developing a growth strategy
- How to expand market share

- Technology
- Growth
- Stability
- There will be many opportunities for expansion through acquisition
- For the bank to continue to successfully survive it must grow. The bank must be very profitable to support that growth to satisfy the financial goals and demands of the shareholders.
- Proper succession planning and/or developing mergers of us small guys to where we still are there just owning a smaller piece of a bigger pie but helping with economies of scale and competition with larger bank corps or non-bank competitors.

List one thing that is critical to the success of a closely-held or family-owned financial institution in today's financial service environment.

- Understanding the family dynamics and expectations
- Allow the designated/qualified CEO to run the bank without micro managing from the board/family.
- Limit salaries to realistic numbers
- Increase capital
- We need to keep our key people motivated and satisfied financially.
- The financial institution must be operated as a business and decisions have to be made based on sound business judgments. Families must remember business is business and not let family synergies interfere with the business operation.
- Remaining competitive for products and service
- Transition of both management and ownership
- Customer loyalty
- Decisions need to be made and future needs to be discussed
- Cohesion between the CEO, Board of Directors and Owner
- Development of a strategic plan that links/unites these entities with the business staff and financial goals that are related throughout these groups
- Hiring excellent managers and letting them manage
- Demonstrating a commitment to senior officers to ensure they remain loyal to the bank.
- A strong board of directors comprised of both insiders and outsiders
- Have talent come to our rural town and stay
- Customer retention
- A common goal
- Cash flow plan for shareholders
- Liquidity plan for succeeding generations
- Estate taxes.
- Good communication
- Merit based promotion
- Agreement on the strategic plan and vision of the bank
- Education and background
- Have trusting, knowledgeable management teams that are tech savvy

- Ability of financial institutions to maintain franchise value
- A better mechanism to transfer ownership if trying to sell to an internal group
- We are currently selling direct at a lower premium price, and giving some options.
- Forming an inclusive environment
- Customer Service (actually being provided, not just talked about)
- Empowerment of non-family management and supervisors
- Updated and efficient communications to all levels of the bank
- Keeping family members working together for the same goal
- Succession planning
- Keeping & training qualified employees
- Managing risk in an Internet and electronic banking world
- Management
- Retaining qualified management
- Strong leadership from the top
- Maintaining non-ownership key personnel
- Good planning and communication supported by progressive and fair data
- Innovative, quick thinking management team
- Personal involvement
- Working together
- Understanding the business together
- Being open to old and new ideas together
- Working together = success
- Finding talent to fill key positions
- Asset quality
- Communication among generations
- Luck
- Having up-to-date technology at a cost that can keep us competitive
- Leading edge technology
- Proper people in place
- Staying up to date with technology
- Reputation on ownership
- Having outside management that is trusted to carry out the family desires
- There are dozens, deposit base and growth is essential
- Meeting the requirement of the regulators
- Being able to secure adequately educated and trained individuals as board members
- Securing individuals that are willing to put in the time and energy
- Asset Quality
- Personnel
- Great employees
- Staff overall knowledge on how to run a small bank and stay up with technology and local customer requirements
- CEO must be trustworthy and place the best interest of the bank first

- Key people to lead the succession! You have to find the right expertise and individuals you can trust.

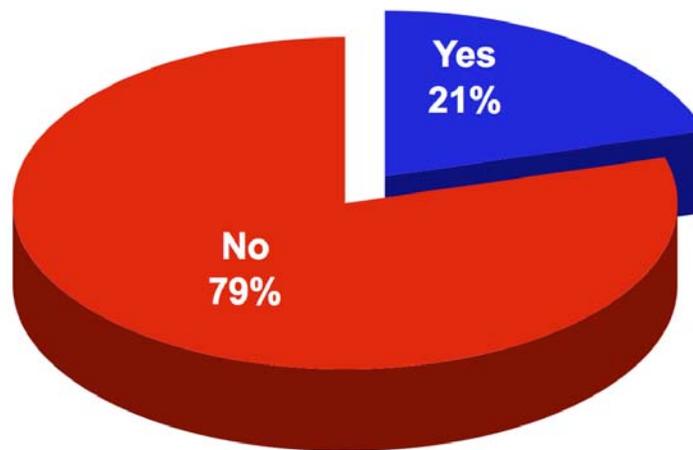
What are your organization's top two challenges related to retention of your existing senior managers?

- Ownership Benefits
- HR Management
- Compensation at a level commensurate with the pay level of other banks and similar positions in other companies.
- Keeping them happy so another bank does not hire them away. We are a small bank with only 9 employees so there are only so many titles available.
- Having a good deferred comp plan in place that is fair to both executives and stockholders. Also being able to have the executives buy more stock in the bank.
- Current senior managers are family members, no problem retaining them. Problem is finding and retaining potential non-family successors. Main challenges are finding qualified people and providing a job and pay that will keep them.
- Empowering them and compensating them adequately
- Compensation
- Good working environment
- Adequate compensation
- Assurance of job continuation
- Salaries
- Visioning
- Competition
- Lack of a Succession Plan (we are in the process of doing this)
- Retirement
- Compensation
- Upward mobility
- Ensuring compensation package remains competitive
- Need to establish a meaningful incentive package to retain senior managers through retirement.
- Competition from other FI's
- Opportunities for career growth
- Keep bank payroll under control yet pay a good wage
- Paying them properly and keeping them happy/satisfied
- Attracting best in class to non-urban markets
- Competing on pay and benefits
- Age
- Salary
- Keeping them informed of the bank's plan & vision
- Increased competition
- Fighting for top people
- Growth and Opportunity

- Involvement in the management on a day to day basis
- The "golden handcuff"
- Rewards must be based on consistent performance
- Keeping them alive
- Developing middle management to allow senior management to be more effective
- Keeping them interested and motivated
- With profitability rougher this year, increases and bonuses will be less than in the past.
- Making them think like owners
- Providing additional challenges
- Upward spiraling of age brackets
- Pay scale not commensurate with industry standards and responsibilities involved
- Having adequate market supply of talent for replacement
- Retirement age
- Desire to work less
- No problem with retaining existing management
- Salaries
- Competition for all officers from other institutions
- How to get buy in (offer ownership of some kind)
- Continuing to challenge them
- Good Benefit Program
- Good Salary and Incentive Program
- Age - over the next 10 years and replacing those who retire
- Financial Package
- Wants to live in a rural area
- Competition
- Compensation
- Our lack of holding employees/ managers accountable for non-performance
- Lack of leadership
- Salary
- Benefits
- Quality of life in area
- Meaningful employment
- We have lost very little senior management in the last ten years.
- Keeping them engaged in the correct banking areas
- Identify needed skills for their positions
- Salary and challenges in the job
- To be able to afford to keep them on board as their skills and experience mature.
- To grow sufficiently to allow the matured skills and experience to be utilized.
- Responsibility--for need to the organization coupled with incentive method of rewards

- Not much chance for advancement at the top.
- Providing challenge and responsibility to those near the top
- Pay rate in relation to competitors
- Opportunity to own stock
- Salary we can offer
- Competition with other financial institutions.
- Providing them with the opportunities for career growth
- Growing to a size to provide diversification of duties
- An individual that would be content living in small town Nebraska

Does your organization have an active leadership development program to enhance the skills of your existing senior managers?



- A basic plan, but not detailed
- We do not have a program in place but the top executive does mentor the second executive.
- No. This is something that our managers do themselves, but it would be a good idea.
- We are involved in various affiliate organizations, including the Sheshunoff Management and peer group as well as the industry and trade associations.
- Some banking schools offered and on going
- Encourage and pay for all education
- Yes, we continue to let those that show the ability and desire to increase their knowledge by sending them to various schools and seminars that will further their abilities.
- Training conferences
- Web-casts
- Yes, we have a third party administering an executive leadership program
- Education

- We think so
- We try to involve them in management decisions.
- Somewhat

Please list any other items that will help banks retain their best officers and managers.

- Providing a suitable environment for the spouses. Keeping their interest in banking instead of side businesses.
- Being focused on helping the community and having employees involved in the community creates a real sense of unity and positive motion.
- Hiring strong, proactive management who are "community and family" minded people that will help create a positive environment.
- Profit sharing, bonuses and a strong insurance package are important.
- Communication amongst the management and staff is crucial.
- Meetings and committees must work together to accomplish goals.
- Include them in ownership and decisions
- Money, and opportunities
- We have no problem retaining present staff. Problem is finding adequate younger prospects.
- Identifying the "needs or desires" of the officers -- not all officers looking for the same rewards. Some want money, responsibility, miscellaneous benefits, etc.
- Supervisor's leadership skills
- Golden handcuffs. - Incentives earned, but not yet paid.
- Empower the decision making process--have an open line of expected communication with the officer and the CEO etc.
- Proper respect
- Able to have authority on certain duties
- Proper pay
- Incentive programs, etc.