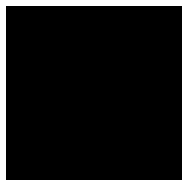
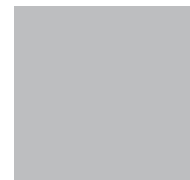
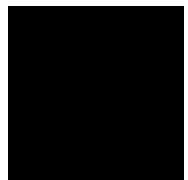


Independent Community Bankers of South Dakota



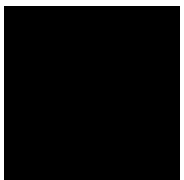
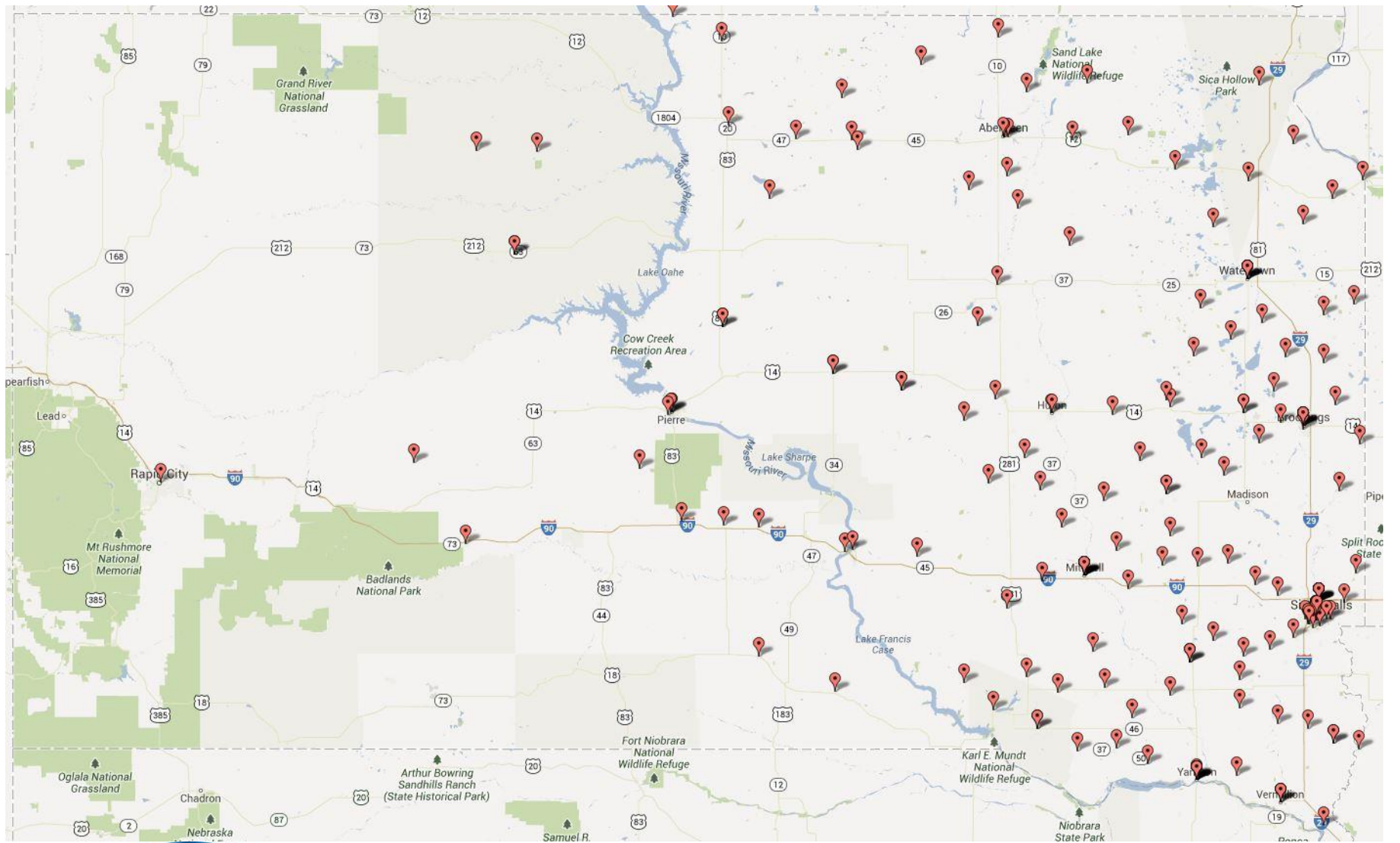
Mission – To Help Community Banks Succeed



An introduction to ICBSD

- Exclusively Represent **Community Banks**
- We represent 51 bank members and 56 associate members.
- 46 State Banks
- Provide legislative representation for our members.
- Provide educational seminars/share regulatory Information.
- Keep members informed through newsletters and the icbsd.com web site.
- Provide professional networking opportunities.
- **RAISE AWARENESS THROUGH GRASSROOTS EFFORTS**





An introduction to ICBSD Leadership

CHAIRMAN: Raymond E. Smith, CEO/President, The First National Bank in Philip

CHAIRMAN ELECT Terry Torgerson, Senior Vice President, CorTrust Bank, N.A., Mitchell

SECRETARY/TREASURER: R. Scott Campbell, President, First National Bank, Frederick

PAST CHAIRMAN: Emily Hofer, CFO, Merchants State Bank, Freeman

ICBA NATIONAL DIRECTOR: Dick Behl, CEO/President, The Farmers & Merchants State Bank, Scotland

DIRECTOR: Wayne Olsen President, American State Bank, Oldham

DIRECTOR: Troy Vander Stouwe, Commercial Banking Manager of Business, The FNB in Sioux Falls

DIRECTOR: Jaimey Schemp, President/Senior Loan Officer, State Bank of Alcester (2014)

DIRECTOR: Kelly Eisemann. Vice President, First State Bank of Roscoe.

DIRECTOR: Hugh M. Bartels, President/Director, Reliabank

HONORARY PAST CHAIRMAN: Lance Koth, Branch President, First Dakota National Bank, Mitchell



Activities for 2014

- Legislative Lunch, January 21- Pierre
- Emerging Leaders Program
- Certified Community Banking Security Professional Program
- ICBA Washington Policy Summit April 29 – May 2
- Annual Retreat and Golf Scramble, July 24– 27, Sylvan Lake Lodge
- Annual Directors Conference November 19-20

Emerging Leaders



CCBSP Program

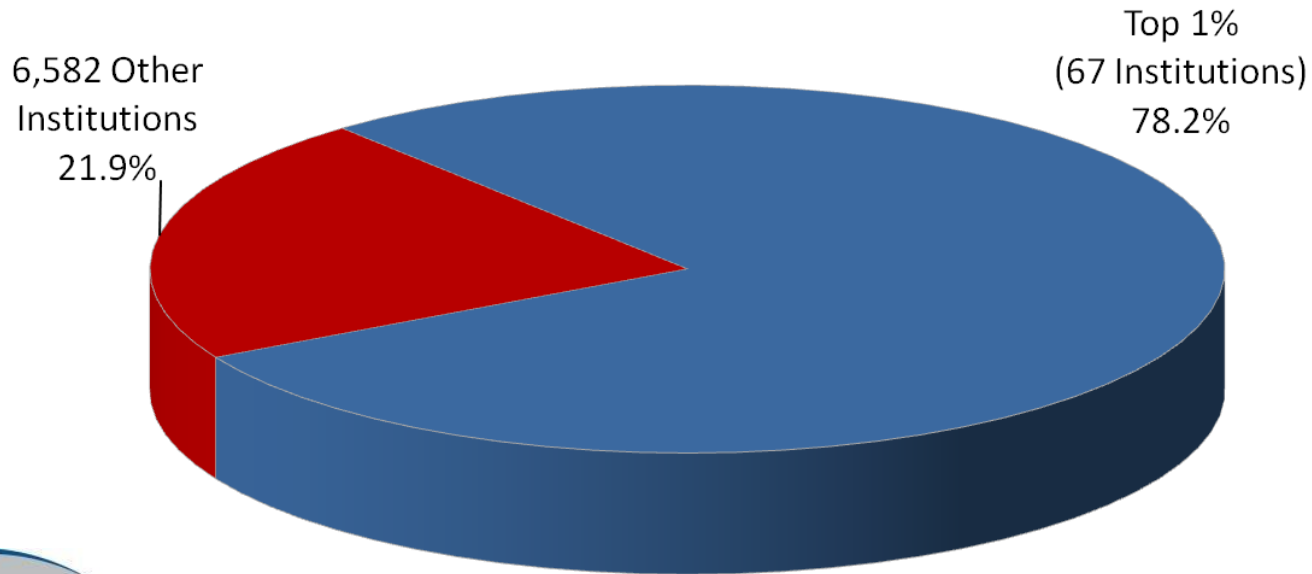


Legislative Priorities

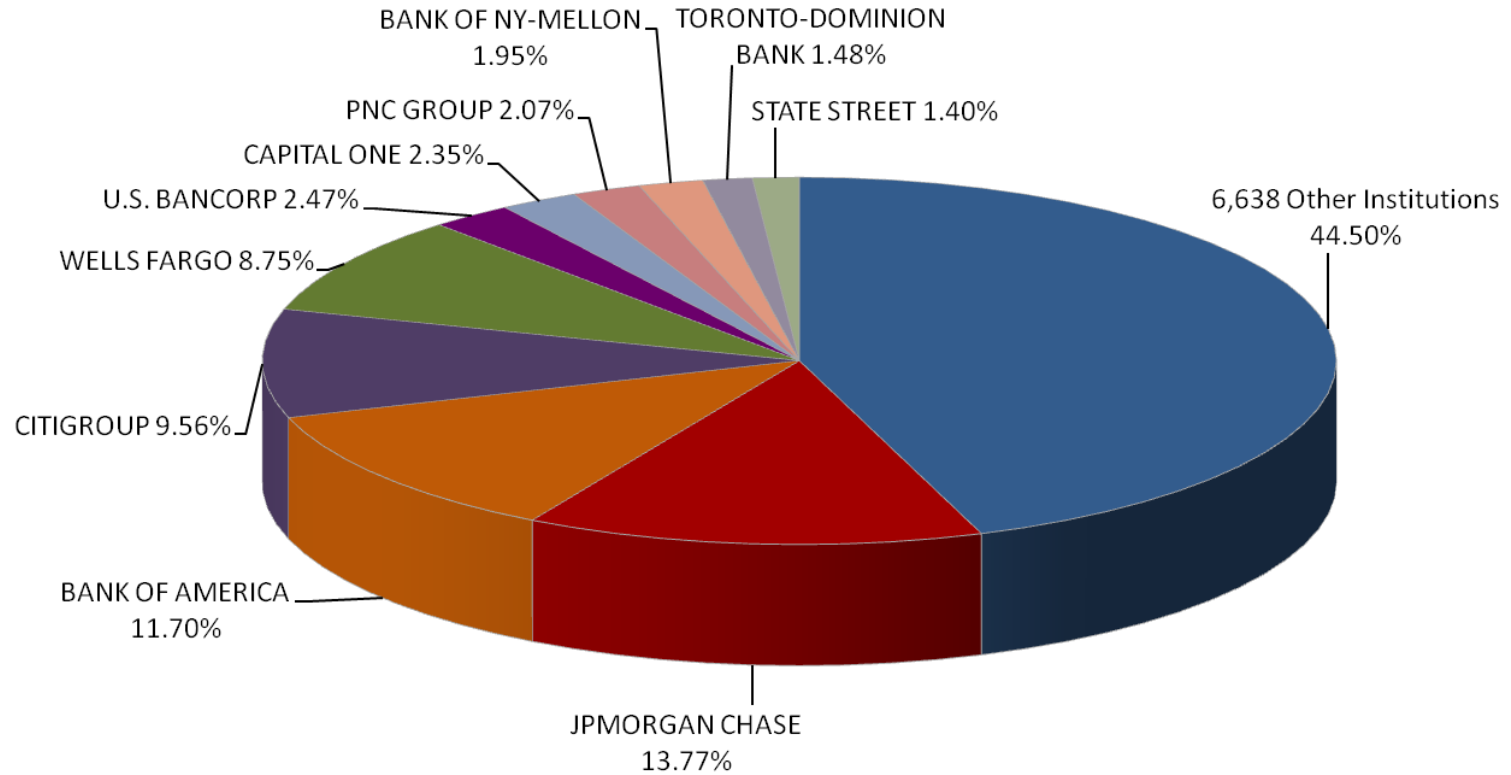
- **End To Big to Fail**

- Terminating Bailouts for Taxpayer Fairness Act S. 798

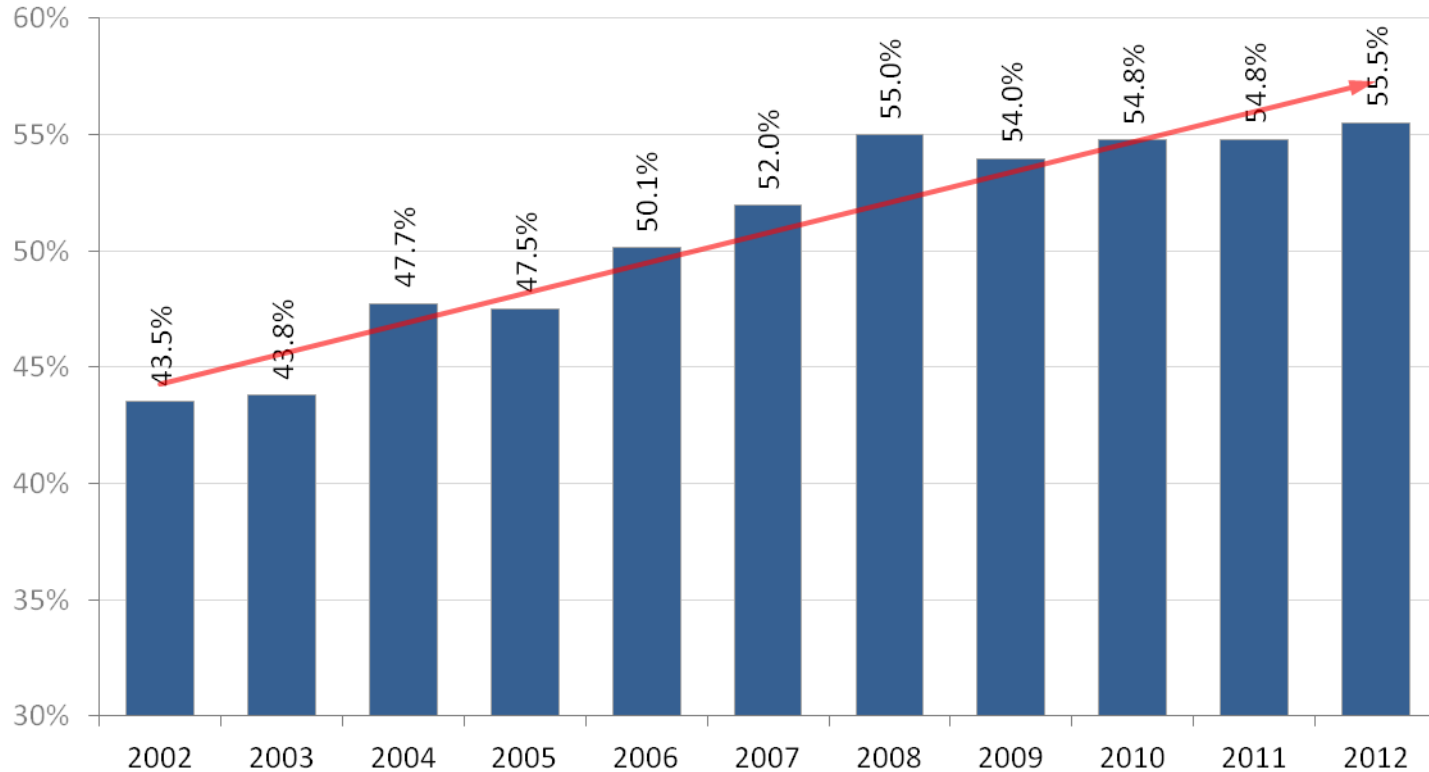
Distribution of US Banking Assets



Distribution of US Banking Assets

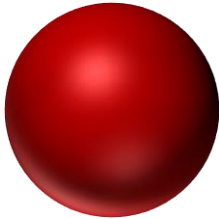


US Banking Assets Held by Top 10 Institutions 10 Year Trend



Banking Assets of Largest US Financial Institutions

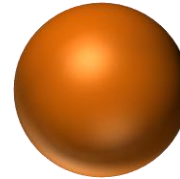
JP Morgan Chase
\$1,976 Billion



Bank of America
\$1,654 Billion



Citigroup
\$1,314 Billion



Wells Fargo
\$1,238 Billion



US Bancorp
\$336 Billion



Capital One
\$298 Billion



PNC Financial
\$288 Billion



Bank of New York Mellon
\$246 Billion



HSBC
\$211 Billion



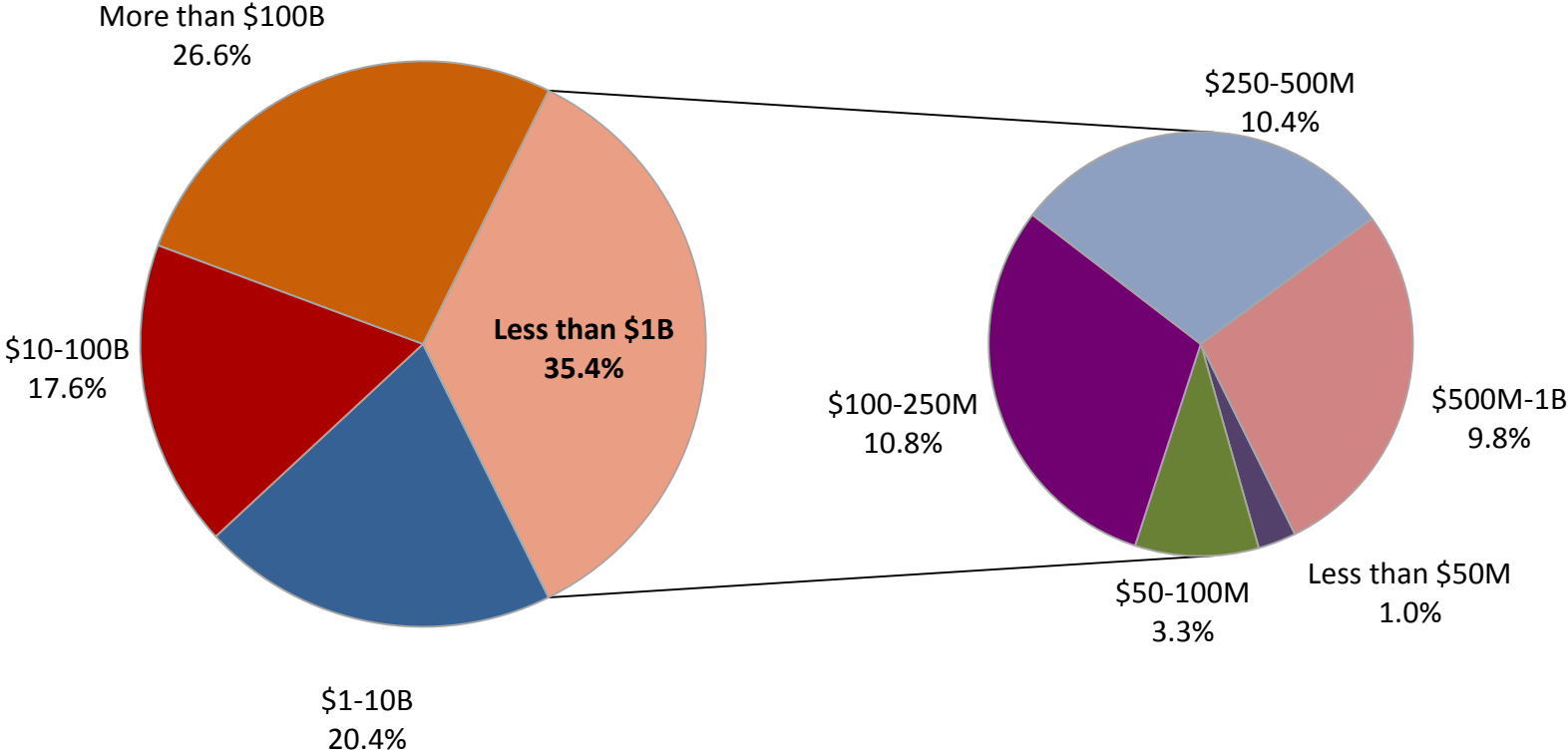
Toronto-Dominion Bank
\$206 Billion



(Includes assets held in FDIC-insured institutions only, as of 9/30/2012)



Small Business Loans by Asset Size



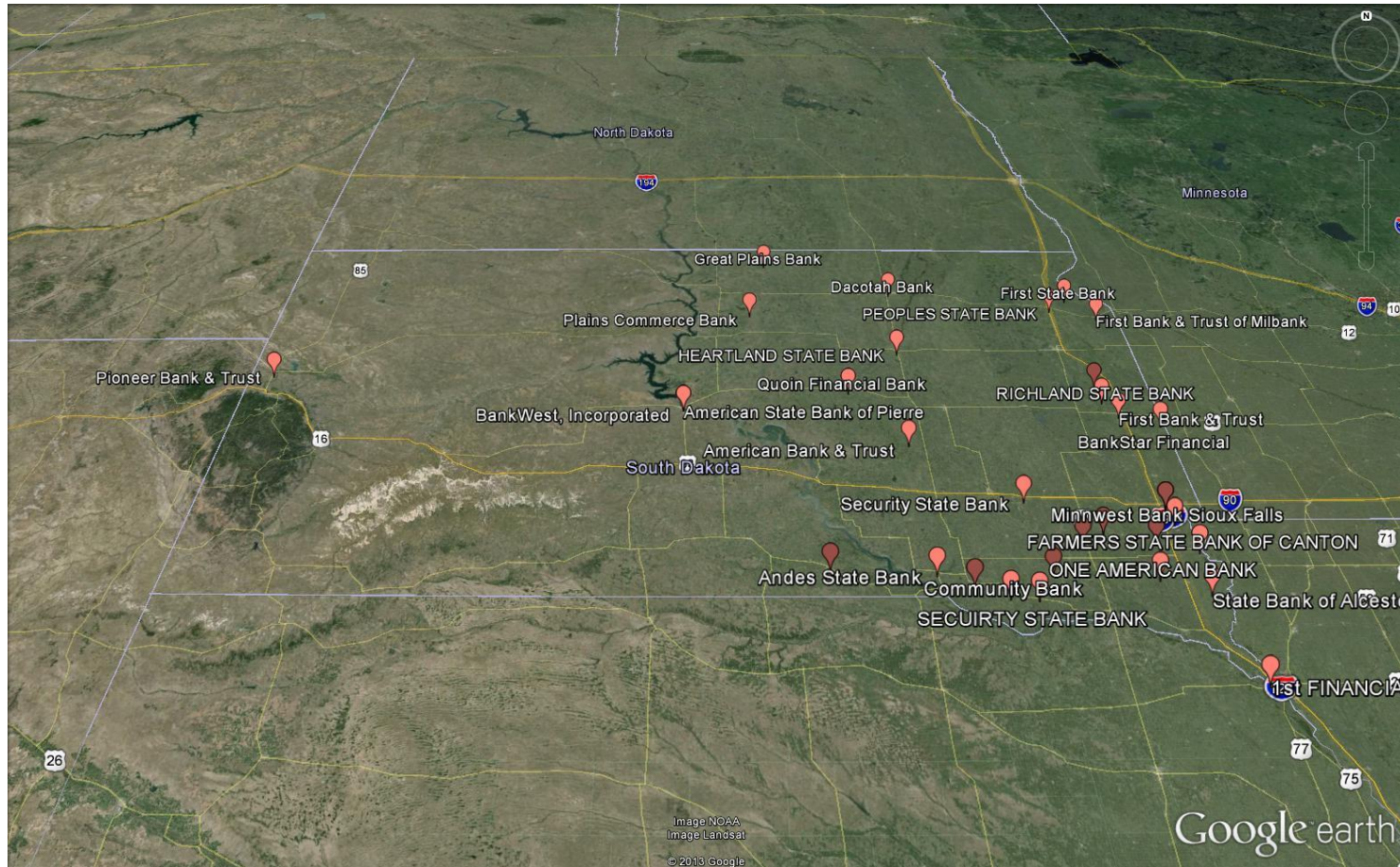
* Outstanding balances of small business loans with starting balances below \$1 million.



Legislative Priorities

- **Regulatory Relief for Community Banks**
 - Mortgage Rules
 - Qualified Mortgage Rules
 - Appraisals
 - Mortgage-Servicer Rules
- **Plan for Prosperity**
 - Eliminate Redundant Privacy Notices
 - Create Accountability for Overzealous Bank Examiners
 - Require Quantitative Justification of Burdening Regulations
 - Eliminate Municipal Advisor Registration
 - Correct SEC Shareholder Deregistration Oversight
 - Eliminate Commercial Lending Data Collection Requirements
 - Remove S Corp Constraints & Extend NOL Carryback

Only 34 State Banks with at least one MLO



Legislative Priorities

Active Bills

- The Community Lending Enhancement and Regulatory Relief Act of 2013 (H.R. 1750)(S. 1349)
- The Protecting American Taxpayers and Homeowners Act (H.R. 2767)
- The Eliminate Privacy Notice Confusion Act (H.R. 749)
- The Privacy Notice Modernization Act (S. 635)
- The Municipal Advisor Oversight Improvement Act (H.R. 797)
- The Municipal Advisor Relief Act (S. 710)
- Responsible Financial Consumer Protection Regulations Act (S. 205)
- S Corporation Modernization Act of 2013 (H.R. 892)
- Financial Institutions Examination Fairness and Reform Act (H.R. 1553) (S. 727)
- The Holding Company Registration Threshold Equalization Act was introduced in the House (H.R. 801)
- Financial Regulatory Responsibility Act of 2013 (H.R. 1062/S. 450)
- Right to Lend Act of 2013 (H.R. 2323)

Legislative Priorities

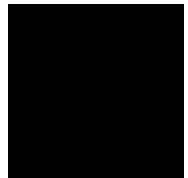
Taxation of Credit Unions and Farm Credit Services

Credit Unions Pay No Tax

- Federal Income Tax
- South Dakota Bank Franchise Tax
- State or Local Sales Tax

Farm Credit Services – pays only a nominal amount

- (1%–5%)

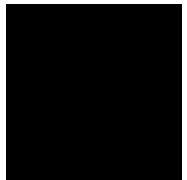
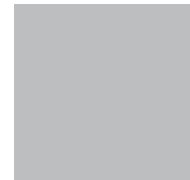


Legislative Priorities

Taxation of Credit Unions and Farm Credit Services

Farm Credit Services No Longer Supports its mission

- 80 to 90 % of loans are to older, well-established larger farmers
- 1,714 South Dakota Farm Service Guaranteed loans - 99% were underwritten by Banks (as of 7/31/13)
- FCS – financed luxurious vacation home for Hollywood producer in Black Hills



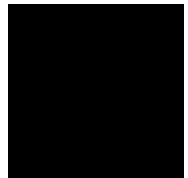
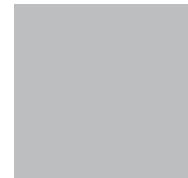
Legislative Priorities

Taxation of Credit Unions and Farm Credit Services

Annual Cost of Tax Exemptions for South Dakota

- **Credit Unions** **\$1 Million**
- **Farm Credit** **\$4 Million**
- **TOTAL** **\$5 million***
 - **Local Government Share = \$3.7 million**

(*Doesn't include lost sales and use tax revenue on products and services purchased by federal credit unions)



Legislative Priorities

Taxation of Credit Unions and Farm Credit Services

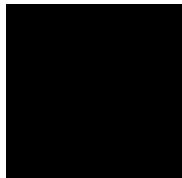
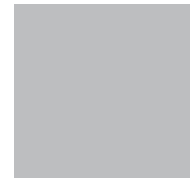
Federal Impact

- **Credit Unions** – \$1 trillion tax exempt industry
 - Net Income of \$9 billion in 2012
 - Evolution of Credit Unions to a “Community Charter” - growth focus – with limited interest in people of modest means
- **Farm Credit** – \$250 billion arm of Federal Government
 - Net Income of \$4.3 billion in 2012
 - Return on Assets of 1.74%
 - Limited interest in serving young, small, beginning producers
- **New Revenue Would Help Reduced Federal Deficit**
 - **Credit Union Exemption = \$2 billion**
 - **Farm Credit System Exemption = \$1.3 billion**

Legislative Priorities

Taxation of Credit Unions and Farm Credit Services

- Support “blank slate approach” tax reform, including repeal of tax exemptions for Farm Credit & Credit Unions.
- Sign petition of support
- Contact Senator Thune, Johnson and Representative Noem



Questions for the future of Community Banking

- How many community banks will be left in South Dakota in 10 years?
- How are community banks going to continue to deal with the crushing regulatory burden?
- What will the franchise tax dollars collected amount to in the future?
- Who will serve rural South Dakota's banking needs?
 - Who will provide mortgages in rural communities?

Together what can ICBSD and the South Dakota Banking Commission do to make sure community banking stays strong and vibrant in South Dakota?

