Official Newsletter of ICBND

THE COMMUNITY BANKER

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ICBND

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ICBND BOARD OF DIRECTORS

Chairwoman's Remarks

SARAH GETZLAFF
ICBND Chairwoman
Security First Bank of North Dakota

It's hard to believe summer is already winding down and harvest is just around the corner. Before we know it, kids will be back in school. As a lake-loving family, this is always a bitter-sweet time of year for us. We're never quite ready to trade long days on the water for a return to reality. But the changing seasons also bring things we look forward to—our kids reconnecting with their school friends, Friday nights under the lights cheering on my boys, and, of course, the ICBND Convention.

Last year, the convention was held in Medora for the first time in more than 20 years. While many of us had talked about moving the convention for those same two decades, it took Alexis Baxley coming aboard and Jessie Pfaff leading the charge to finally make it happen. The change in venue sparked a change in energy that was impossible to miss. You could feel it as attendees gathered for golf, see it in the excitement of our vendor partners, and hear it in the lively conversations taking place throughout the event.

Those conversations are the biggest reason I attend each year. Community bankers have an incredible willingness to share ideas, learn from one another, and support each other through the challenges and opportunities we all face. It's one of the greatest strengths of our industry.

If you weren't able to join us last year, I encourage you to make the trip to Medora this year—I truly believe you won't regret it. And if you're attending for the first time, we'd love to have you join our group. You'll expand your professional network, gain valuable insights from fellow community bankers, and, if you're anything like the rest of us, you'll leave with a few lifelong friendships you never knew you needed.

The convention kicks off Monday, September 21st in Medora. I hope to see you there!

Sarah

ICBND
INDEPENDENT **COMMUNITY** BANKS
of NORTH DAKOTA

ICBND UPCOMING EVENTS

SEPTEMBER

21-23 ▸ ICBND 58TH ANNUAL CONVENTION, MEDORA

OCTOBER

8 ▸ Advanced Credit Training - Session 1, Virtual

20-21 ▸ Community Bankers for Compliance - Fall Session, Bismarck

23 ▸ Community Bankers for Compliance - Regulatory Update, Virtual

29 ▸ Advanced Credit Training - Session 2, Virtual

NOVEMBER

TBD ▸ Midwest Ag Summit, Virtual

DECEMBER

17 ▸ Advanced Credit Training - Session 3, Virtual

FOR DETAILED EVENT INFORMATION OR TO REGISTER, PLEASE VISIT ICBND.COM

For information on how to place an ad in *The Community Banker*, contact Rebecca at ICBND by calling 701-258-7121, or by emailing rebeccap@icbnd.com

Share your exciting news with us. Submit your news about new hires, promotions, and press releases to Rebecca at rebeccap@icbnd.com

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The Independent Community Bank Services, Inc. (ICBS, Inc.) was formed in August 1989 to create an organization that would help any bank provide the best financial services for their community. ICBS, Inc. provides our member banks with a comprehensive menu of cutting-edge products that make running a card program easy and efficient. ICBS, Inc. is a bank service corporation serving the Independent Community Banks of North Dakota (ICBND), and is governed by its own Board of Directors.

President's Remarks

ALEXIS BAXLEY
ICBND President

This time of year has always been my favorite: there are still some warm summer days left and I've lost all control of my garden, but the cool mornings of fall have started to creep in. There is something invigorating to me about a crisp morning and fresh new school supplies. I hope you have all had a wonderful summer, despite the heat and lack of moisture, and are similarly looking forward to all the excitement fall can bring.

One of the things I am most excited about this fall is the 58th Annual ICBND Convention. This year's theme, Community Banks: In the Arena Together, recognizes the work you do in shaping your communities. As the famous Teddy Roosevelt speech says, ***"The credit belongs to the man who is actually in the arena…who does actually strive to do the deeds; who knows great enthusiasms, the great devotions; who spends himself in a worthy cause."*** Community bankers are in the arena every day, striving to serve their customers and help their communities prosper. We hope you plan to join us to celebrate, learn, and network on September 21-23 in Medora, ND.

Our agenda is fantastic, and the Monday evening PAC theme party will be a great time. Please come dressed in your best tribute to Teddy Roosevelt – the presidential version, maybe the Roughrider, or perhaps the cattle rancher. After you have made your best attempt to channel T.R., join us for the Annual Banquet at the newly opened Theodore Roosevelt Presidential Library. Our banquet entertainment this year will be library tickets for a private, after-hours visit. I can't wait! There are still just a handful of hotel rooms left in Medora. Reach out to our team or visit www.icbnd.com for more information and to register.

I would like to thank the ICBND Board of Directors and ICB Services Board of Directors for their active participation in the association this past year. Your support and commitment are the reason our association succeeds. Finally, I'd like to offer a special thank you to Sarah Getzlaff for her dedicated service as your ICBND Chairman. She has done a tremendous job providing direction and leadership for ICBND and has always been ready to lend a hand when we call. Thank you!

See you all in September in Medora!

Sincerely,

Alexis

ICBND HOSTS ANNUAL SCHOOL OF AGRICULTURAL LENDING

In June, ICBND hosted our annual School of Agricultural Lending.

This week long program saw banking professionals from all over North Dakota, Minnesota and Montana gather together in Bismarck to gain valuable insight and knowledge from a wide spectrum of ag industry experts.

Highlights from the week included the opportunity to work together in teams for an AgBank Simulator, receive a tour of USDA's Northern Great Plains Research Lab in Mandan, hear from North Dakota Agriculture Commissioner, Doug Goehring, plus a relaxing evening at a Bismarck Larks baseball game.

To find out how your banking professionals can sign up for next year's School of Agricultural Lending, please email Jessie at jessiep@icbnd.com.

LEADERSHIP EXCHANGE GATHERS FOR SUMMER SESSION

In June, the ICBND Leadership Exchange cohort gathered in Dickinson and Sentinel Butte for two days of networking and learning.

The Summer Session kicked off with dinner and axe throwing at Phat Fish Brewing in Dickinson, ND on Wednesday night. Then on Thursday morning, the cohort was treated to fresh Baker Boy donuts and a presentation by Baker Boy's Marketing Manager, Dustin Monke. The morning ended with a tour of Baker Boy's Dickinson manufacturing plant to see firsthand how their products are made.

Afterwards, the cohort travelled to Home On The Range in Sentinel Butte, ND for lunch and leadership sessions. The afternoon ended with a tour of the Home on the Range property and a team building exercise with the therapy horses.

OFFICE OF THE COMPTROLLER OF THE CURRENCY ISSUES REVISED COMPLIANCE GUIDE

The Office of the Comptroller of the Currency issued a revised compliance guide for the community bank leverage ratio (CBLR) framework as part of its ongoing work to provide regulatory relief for community banks, and we encourage you to share this resource with your members.

"Community banks are the backbone of the American economy, serving as the conduit to capital for small businesses and hardworking families across the country," said United States Comptroller of the Currency Jonathan V. Gould. "President Donald J. Trump and Secretary of the Treasury Scott Bessent are leading a community bank comeback by unleashing Parallel Prosperity for Main Street and Wall Street. The OCC is proud to support their efforts by reducing cumbersome regulations that have long hindered these vital institutions and impeded U.S. economic growth."

The updated guide is intended to help community banking organizations understand the revisions to the optional CBLR framework that went into effect July 1, 2026. The framework provides a simple measure of capital adequacy for certain community banking organizations and reduces regulatory burden while promoting safety and soundness.

SCAN TO VIEW COMPLIANCE GUIDE

ICBND WELCOMES NEW ASSOCIATE MEMBER

ICBND is pleased to announce our newest associate member, FM Title.

FM TITLE
Fargo | Moorhead

FM Title offers title insurance, cash closings, abstract and title services, and owner encumbrance reports in North Dakota and Minnesota.

Check out their website at www.fmtitle.com.

Welcome FM Title!

RENT THE ICB SERVICES' MOBILE ATM

The ICBND Mobile ATM trailer was created for the use of promoting local member banks. The mobile ATM lets your bank participate in events such as fairs and school games, and be an important financial resource in situations like disaster relief. Our mobile ATM can meet you whenever and wherever you need to serve your customers.

HOW IT WORKS

- The trailer is available to all ICBND Member Banks
- $0 cost for use of the trailer
- Datrue Process Automation will make the necessary programming changes to the ATM before each use
- Processing occurs through Funds Access, Inc.
- All vault cash will be re-deposited to your bank account on the next business day

YOUR BANK IS RESPONSIBLE FOR:

- Travel expenses associated with picking up and returning the trailer
- Secure storage and insurance of the trailer when in your bank's use
- A signed Hold Harmless Agreement before pickup/use
- Supplying vault cash in the mobile ATM

To see if your bank's event date is available, contact Angie Olson at **701-258-8326**. The trailer is to be scheduled on a first-come, first-serve basis, with disasters taking precedence.

LEADING WITH HEART

As community bankers, our customers and communities are at the heart of everything we do. Our products, our technology stacks, our teams: They all are built to meet the needs and interests of those we serve. In the community bank model, we put the relationship first, and that makes all the difference.

Because the customer-first mentality drives results, both in attracting and retaining customers and in building our businesses. We are not seeking to identify the most profitable approach; we're singularly focused on knowing and understanding customer needs, which makes our customers and communities feel heard, understood, and supported. When we live by that vision, the revenue follows. We don't have to wheel and deal to make the next sale; we simply need to listen to what our customers are telling us.

RELATIONSHIPS AT THE HEART OF SERVICE

And as the banking experience continues to evolve, the relationship remains at the heart of what we do. We build teams who have deep knowledge of today's banking environment to be on top of emerging topics for our customers. We advocate for fair legislation and regulation that support our communities. We leverage technology to enhance the customer experience, with tools like AI creating efficiencies and more intuitive interactions but never replacing the personal relationship we have with each customer.

This distinction is also what makes community banks resilient. During my remarks at ICBA LIVE, I asked bankers to stand up as I called out years of bank longevity, and you would not believe the number of bankers standing when I reached 100 years in business. That longevity and perseverance is recognized in this month's issue as we celebrate banks that have been around a century and more. These milestones are both an inspiration and a testament to the community bank model.

Because it comes back to the fact that our model works. There has been no shortage of challenges in our paths, but we remain America's leading banks because of who we are and what we represent. Our customer-first model transcends market shifts, legislative and regulatory hurdles, and new forms of competition precisely because it comes from the heart. So, as we review this month's issue and get inspired by the milestones our peers have set, let's do it with an eye on the opportunities that await as we continue to put our customers at the center of all we do. Without a doubt, the future of banking is community banking, and we have the privilege of continuing this legacy by putting our hearts into what we do and who we serve.

REBECA ROMERO RAINEY
ICBA President and CEO

Rebeca Romero Rainey is President & CEO of the Independent Community Bankers of America (ICBA), the leading advocacy organization exclusively representing community banks.

ALICE P. FRAZIER
ICBA Chair

Alice P. Frazier is president and CEO of Potomac Bank in Charles Town, West Virginia.

THE LASTING COMMUNITY BANK LEGACY

Community banks stand the test of time. In this month's issue, we're celebrating banks that have been around for 100, 150, 200 years, and that's an achievement to be honored—but it's not surprising.

Because community banks dive deep into connection. That intention to know our customers, to know our communities, makes us a part of something bigger. We offer more than a transaction; we offer a relationship.

MAKING IT PERSONAL

Banking is very personal. You're taking care of people's money and helping them strengthen their financial wellbeing, and to do that successfully, you have to build trust and form long-term relationships. Everything we do centers on building trust and caring for the individual; modern technological advancements simplify those interactions, but we pursue them with the goal of supporting our customers more fully.

Because we care, and that core sentiment transcends what we do. For instance, our branch teams are used to seeing certain clients regularly. They come every Wednesday or stop in twice a week or they call, and when they don't show up and it's unexpected, we reach out. In fact, recently when our team reached out to a client, we found out this particular individual had been sick and needed help, and we were able to intervene and provide support.

Or consider that one of our collections officers regularly worked with husband-and-wife borrowers who were nearly always late with payments. They were struggling, and our team always worked with them. So, when a family member passed away and left them a million-dollar estate, they came in to see their collections officer, because in their mind, he was their banker who took care of them.

ADAPTING FOR THE FUTURE

We remain relevant precisely because we are both committed to our clients but also willing to adapt to the changing times and the services that need to be offered. We thrive in our communities for hundreds of years because we prioritize the relationship but support it with the banking tools that exceed customer expectations. We utilize modern technology to offer new paths to interacting and engaging with our banks, but what keeps our customers returning is the fact that we'll always be there in person when they need it, and we'll know them as a client.

So, as we adapt to address competitive pressures, introduce new technologies, and deliver on needs, we do so with our customers at the center. Because if everything we do begins and ends with building trust and caring for the individual, there is no doubt that we will continue to flourish for centuries to come.

THREE STEPS TO PREPARE FOR DIGITAL ASSETS

If you're having a hard time getting your head around how your community bank can benefit from digital assets, you're not alone. Most of us are trying to identify how digital assets will support our customers and bottom lines.

That's partly because we're talking about a fundamental shift in how our ledger system operates. Today, the banking system focuses on a centralized ledger where the bank controls the record and decides what gets recorded and when, and where customers rely on you to make sure it happens. Contrast that with blockchain, a distributed ledger with no single authority, no required intermediaries and a different model.

Fortunately, that new model does align with your existing infrastructure: Wallets and keys map to online and mobile banking, digital assets to account balances and blockchain to your core. So, the technology is new, but the concepts are not, and that breeds opportunity. Cross-border commercial payments, shift and daily payroll, escrow and conditional payments, and programmatic idle cash management all provide important use cases for consideration.

While it's OK to still be getting your bearings, your community bank also needs to act in parallel. Specifically, take these three steps:

1. **Stay educated.** This is not a one-and-done, you-learn-it-and-it's-over scenario. With legislative and regulatory developments, the financial infrastructure landscape changes daily. You and your team need to stay up to speed on what that means for your bank.
2. **Extend that knowledge to your full team.** It's not going to be enough to have one in-house digital assets knowledge source. You have to level up your organization to address this new environment. Your board needs to understand the implications. Your executive team needs to see the possibilities and pitfalls. Your frontline staff needs to know what to do when asked.
1. **Put a stake in the ground and set definitive milestones.** You need a digital asset strategy, but it's not about setting lofty future goals. You must take tangible actions now. Maybe it's saying, "I'm going to be fully fluent on digital assets by X date." Or maybe it's "I'm going to have a test use case in the market by the end of the year." Whatever that looks like for your institution, you must move with intentionality. The advancing legislation is real policy, and there's real infrastructure work at play.

The good news is you're not in this alone. ICBA offers a wealth of resources, including timely updates via NewsWatch Today, and provides educational vehicles like the Digital Assets Webinar Series (icba.org/webinars) to help your team gain the foundational knowledge to begin investigating the opportunities and charting your community bank's path forward.

Remember your charge as an agent of change, and act now so you don't fall behind in this rapidly changing environment.

WADE PEERY

ICBA

Wade Peery is a longtime community bank executive and digital assets expert who gives consulting support to ICBA.

JIM REBER
Managing Director
ICBA Relations

ICBA Securities
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MEAN REVERSION: BOND YIELD RELATIONSHIPS ARE LOOKING FAMILIAR, FINALLY

I would like to make clear in the title of this column that we're not talking about anything rude or unfriendly. In fact, you are about to learn just the opposite. It has been many a year since the U.S. bond market's yield curve has been normally sloped. By "normal," we mean that the differential in short and long yields (i.e., "2s to 10s") is around 100 basis points (1%), which has been the average this century.

However, a normal yield slope is like a heartbeat: it's rare that we're at the average. In fact, the last time the 10-year Treasury yield was 1% higher than the 2-year yield was November 2021. The painful 28-month window where the curve was upside down finally ended in September 2024, and we thought we were going to make a run at an even steeper curve this year. At the moment, we're stuck in the plus-40 bps range. There is in fact a possibility that the Federal Open Market Committee (FOMC) hikes rates later in 2026, which could wipe out any slope altogether.

NUMBERS HAVE IMPROVED

So, we have some steepness, which fundamentally should help community banks' net interest margins (NIMs). Using the 600+ banks that utilize The Baker Group for their interest rate risk modeling as a proxy, the industry is effectively insulated against rate shocks. The inverted yield curves of the recent past are evidence that positive slopes simply create pricing power across balance sheets. According to the FDIC, community bank NIMs improved by nearly 50 pbs between March 2024 and March 2026 as the upside-down curve era receded into the merciful past.

Another piece of this dynamic is that for the first time in four years, yields on Treasury securities across the maturity spectrum are higher than overnight rates. That too should create room for margin expansion. It's intuitive that a 2-year Treasury note should yield more than Fed Funds, but that wasn't the case between 2023 and 2025. Portfolio managers now have economic incentive to extend out on the curve and spread products—securities other than Treasuries—provide a further yield boost.

PLANETS AREN'T ALIGNED, YET

But let's not get ahead of ourselves. Yes, the curve has some modest slope and yes, one can buy a 2-year Treasury at a higher yield than sitting in Fed Funds. But we still aren't at optimal levels for either. The 2-to-10 slope looks like it may be mired at its current levels until the bond market gets some clarity from the FOMC about its next steps. Also, under new Chairman Kevin Warsh, "clarity" may be hard to come by since he's suggested that forward guidance may become a precious commodity.

Add to that the fact that yield spreads on the products that community banks purchase are not at record levels either. It remains a challenge for C Corps to buy bank-suitable tax-free munis with any spread at all out to the 15-year maturities. (S Corps are another story for another column.) Mortgage-backed securities (MBS) spreads have trended lower since 2023 on most products, which is interesting in that rates have likewise trended lower in that time frame, when usually yield spreads widen. Both munis and MBS have benefited from a general lack of supply, particularly new issue mortgages.

Continued from Page 12.

LOOKING UP

What hasn't yet been discussed is that nominal rates are still nearly at an 18-year high. And the theme of "reversion" mentioned above is good news for bond investors. Positive slope, spread between overnights and everything else, and inflation trends that are gaining steam all contribute to the available yield levels.

Two more notes about the current financial environment: 1.) A friendly reminder that an upwardly shaped curve helps the math work on a bond swap, in which certain securities are simultaneously purchased and sold, and 2.) Bank profitability has been solid so far in 2026. As the second half of the year ensues, a "loss-earn back" trade to convert some lower-yielding circa-2021 purchases into much higher yielding 2026 levels can make sense for a lot of community banks. Your brokers can model all configurations of these trades to quantify the costs/benefits for management team discussion.

Much could happen between now and year-end to weaken the current backdrop, which appears to offer investors reasonable value. One example is persistent inflation. Chairman Warsh's first meeting included ample acknowledgment that price stability is a higher priority than full employment. Any move closer to rate hikes could cause the yield curve to flatten from here.

Nonetheless, the reversion to the longer-term averages in term relationships in the fixed income market have produced current opportunities not seen in years. Nothing mean about that.

PREPARE FOR EMERGING TECHNOLOGY THREATS

ANJELICA DORTCH
Vice President, Operational Risk & Cybersecurity Policy

Anjelica Dortsch is ICBA's vice president of operational risk.

When Anthropic released Claude Mythos in April, artificial intelligence advanced in a way community banks can't ignore. This AI cybersecurity model finds software vulnerabilities and tests attack methods with much less human intervention than earlier tools, but it's a double-edged sword. The same AI that can help community banks find and fix weak spots might also help criminals scan bank systems, vendors and connected platforms faster to find a way in.

Unlike large banks that have their own developers and software teams, community banks can't solve this by looking only inside their own walls. They more heavily rely on vendors, which means a software weakness outside the bank can still create risk inside the bank. If the vendor doesn't notify the bank quickly, the bank might not have enough time to protect its own systems and network.

That leaves community banks with a basic but urgent question: What do we need to know before AI changes the risk faster than our contracts, vendors and internal response plans can address those risks? ICBA recently developed the Community Bank AI Security Readiness Guide to help community banks answer that question. Created with input from members of the ICBA AI Task Force, the guide focuses on the AI security issues community banks deal with every day, including vendor dependence, board oversight, contract language, incident response planning and cyber insurance coverage.

WHY COMMUNITY BANKS CAN'T AFFORD TO WAIT ON AI SECURITY

AI might already be closer to your institution than you think. Hundreds of large language models are in the market, and more will add stronger cyber capabilities over time. Community banks don't need to wait for regulators to tell them AI security belongs on the agenda. They need to understand what's changing now, where AI touches the bank and which vendor relationships could expose them to risk.

ICBA members already know how to work through major disruptions. Many have served their communities for generations and have been through financial crises, Y2K, natural disasters and major technology changes. AI is just the latest potential disruptor community banks must address given the technology's ability to change the speed, scope and complexity of cyber risk.

The Community Bank AI Security Readiness Guide responds to community bankers' questions and concerns about AI by helping members understand the threat, build upon existing third-party risk management and identify specific actionable steps they can readily implement. It provides community banks with information that can help leaders prepare for briefing their boards, talking to vendors, testing incident response plans and reviewing cyber coverage before an AI-related incident occurs.

AI SECURITY STEPS COMMUNITY BANKS CAN TAKE NOW

The last thing community banks need is another abstract warning about AI. They need to know what's coming at them, what to check first and how to react when something happens.

The Community Bank AI Security Readiness Guide covers problems banks might not see coming, including shadow AI, vendor-embedded AI, wearable devices and fourth-party risk. The guide is intended to help community bankers address many facets of AI using tools and processes they can assign, test and track.

The guide also lays out specific steps community banks can take right now, starting with the vendors that keep the bank running, including the core processor, online banking provider and major fintech partners. As explained in the guide, community bankers should be asking these vendors whether they already have AI features active in the bank's environment, whether they'll notify the bank before activating more, and how they're responding to AI-driven cyber capabilities from companies like Microsoft, Anthropic and OpenAI.

Here are three more actionable steps community banks can take now to address or prepare for AI:

- Put AI risk in front of the board. AI readiness belongs at the board level, because it touches risk, technology, vendors, customers and long-term planning. Document the discussion, acknowledge the new threat environment and discuss preparations. The board conversation should cover security first, followed by how the bank can use AI responsibly to protect the institution, improve operations and serve customers.
- Update incident response plans. AI might increase the number and speed of cyber incidents, so response plans need to account for more than one problem at a time. A plan that works for one contained event could fall short when two or three issues hit at once, including a vendor problem, branch disruption or network concern.
- Join an ICBA tabletop exercise. These sessions let banks test their cyber resilience and AI readiness in a controlled setting before a live incident occurs. ICBA's last tabletop exercise with the Department of Homeland Security's Cybersecurity and Infrastructure Security Agency (CISA) drew more than 400 bankers, and participation will likely grow as AI security becomes a bigger concern. The exercises are complimentary for ICBA members.

AI IN BANKING: NOT JUST THREATS AND RISKS

AI can also help community banks build solutions, identify efficiencies and improve processes. For example, they can use AI tools to support fraud prevention by reviewing documents, checks, receipts and loan materials for signs of fraud, synthetic content or AI-generated information.

AI tools can also support back-office work and improve customer service. For example, a well-managed chatbot can answer basic questions about hours, CD rates or account information, giving branch staff more face-to-face time with customers who need more than a quick answer.

ICBA continues to build resources to support community bankers' AI questions and needs. It currently offers three primary channels to help community banks navigate AI security readiness: education and training programs through ICBA Education; access to AI fintech solutions through the ICBA ThinkTECH Accelerator within ICBA Innovation; and ICBA Community, a members-only digital platform where community bankers can share questions, experiences and lessons from the field.

Andrew Okolski
Managing Director at
The Baker Group

The Baker Group

Andrew Okolski is a managing director at The Baker Group. He works directly with clients in a broad range of areas including asset-liability management, education, portfolio management, interest rate risk management, strategic planning, regulatory issues and wholesale market strategies for financial institutions.

INVESTING WITH INTENT: HOW OPTIONALITY IS QUIETLY COSTING YOU

With the most divided Fed in over 30 years and optionality risk hiding in plain sight, portfolio managers who will win in this environment are the ones who understand exactly what they own — and why they own it.

At its June 2026 meeting, the Federal Open Market Committee held rates at 3.50–3.75% for the third consecutive time—but four members dissented, a level of disagreement last seen in 1992. The incoming Fed chair, Kevin Warsh, will inherit not just a complex macro backdrop but a genuinely fragmented committee. For bank portfolio managers, this means the rate uncertainty that has defined the past several years isn't going away. And that brings us to what I believe is the most underappreciated risk sitting in many portfolios today: optionality.

THE RISK NOBODY IS WATCHING

Most asset-liability committees spend the bulk of their risk discussion on duration. And that makes sense: Duration is measurable, modellable and fairly intuitive. A five-year duration instrument loses roughly 5% in market value for every 100 basis points of rate increase. It's a compensated risk. You choose to carry it, you get paid for it, and you can plan around it.

Optionality risk is a completely different animal. It is non-linear, path-dependent, and—critically—it is *always working against you*. The embedded option in a callable bond or a mortgage-backed security is held by the counterparty: the issuer or the borrower. They will exercise it when it benefits them, which, by definition, means it hurts you. When rates fall, they call or prepay, and you're forced to reinvest at lower rates. When rates rise, they extend, and you're locked into below-market coupons. It is asymmetric risk in the worst possible direction, and it hides inside instruments that most banks have owned for years without ever fully measuring the cost.

There are three distinct ways optionality shows up as a problem. *Extension risk* kicks in when rates rise: MBS average lives stretch dramatically, callable bonds go out of the money and simply stay on your books, and liquidity that you need gets trapped at below-market yields. *Contraction risk* is the mirror: When rates fall, borrowers refinance and issuers call, flooding you with cash at the exact moment yields are at their lowest. *Volatility risk* is perhaps the most overlooked. Even without rates moving directionally, elevated rate volatility causes the market to demand higher yield on optionality-heavy securities, which pushes prices down even on portfolios that would look fine on a standard parallel-shift stress test.

That last point is worth sitting with for a moment. A portfolio can pass every rate shock scenario in your standard asset-liability model and still be silently impaired, because those models don't reprice options across scenarios. If your analytical approach is limited to nominal yield and modified duration, you are not seeing the full picture of what you own.

OVERSTEERING AND THE OVERCORRECTION LOOP

One of the behavioral patterns I see most often—and that I think is worth naming directly—is the tendency toward overcorrection. Portfolio managers who have been burned by optionality sometimes respond by making very large moves at exactly the wrong time. This creates an overcorrection loop: large adjustment, large swing in the opposite direction, another large adjustment. The portfolio never settles into genuine alignment with the balance sheet. It chases the last crisis instead of preparing for the next one.

Think of it like steering a large boat. There is a significant lag between your input and the vessel's response. Inexperienced drivers overcorrect every time, swinging back and forth across the intended line. Experienced ones make small, early adjustments and wait patiently for the response before touching the wheel again. The same principle applies here. Small, proactive moves guided by a clear understanding of your optionality exposure are far more effective than reactive lurches driven by pain.

The good news is that we now have the tools to make those early, informed adjustments. Effective duration, convexity, option-adjusted spread, and average life analysis across multiple prepayment scenarios—used consistently, before purchases rather than after—give us the information we need to stop relying on nominal yield as our primary decision-making metric.

A FRAMEWORK FOR WHAT TO OWN

Rather than prescribing a single strategy, I'd encourage management teams to think about the portfolio in three distinct buckets, each with a clear purpose:

TARGETED PORTFOLIO ALLOCATION FRAMEWORK

Recommended allocation ranges by strategy bucket

Bucket	Target allocation	Description & instruments
Core liquidity / Low optionality	**40–50%**	Bullet alternatives, direct CDs, short munis, Agency CMBS (DUS, ACEs, K's), Agency MBS with strong collateral and discount cpns. Low negative or positive convexity. Stable income regardless of rate direction.
Yield enhancement / Managed optionality	**30–40%**	Shorter callables, hybrid ARMs, sequential CMOs, new origination MBS. Selective optionality only where risk compensation is genuinely compelling.
Strategic / Duration management	**10–30%**	Longer bullet alternatives, callables with 5yr+ call protection, long munis. Reinvestment anchor if rates fall. Offsets contraction risk in bucket two.

THE PLAYBOOK FOR THE REST OF 2026

So where does all of this leave us practically? Here are the actions we believe deserve the most attention between now and year-end.

1. Lock in coupons while you can. Bullet alternatives still offer strong yields today. The asymmetric risk clearly favors acting: If rates fall, locking in today's yields generates significant upside. If rates rise modestly, the loss is manageable. Waiting for more certainty is itself a risk position.
2. Limit adding new optionality at current spread levels. Volatility is elevated, and OAS spreads on callables and current-coupon MBS are tight. You are not being adequately compensated for the option risk you would be taking on. Bullet alternatives and lower-coupon, seasoned MBS offer more reliable income on a risk-adjusted basis right now.
3. Stress before you buy. Run prepayment and call scenarios on every optionality-bearing security before purchase. If the risk-adjusted yield effectively disappears under a rate shock, you are paying a hidden fee to absorb option risk that you are not being compensated for.

None of this requires predicting where rates are going. Frankly, I don't know where rates are going, and I would be skeptical of anyone who claims they do with confidence right now. That is not the point. The point is that a proactive, structurally sound portfolio—built around a clear understanding of what each security does to your balance sheet across different rate scenarios—will outperform a reactive, yield-chasing book in virtually any environment.


ICBND
COMMUNITY BANKS: IN THE ARENA TOGETHER
ICBND 58TH
ANNUAL CONVENTION
Medora • Sept. 21-23
SCAN TO REGISTER TODAY!

2026 ANNUAL CONVENTION AGENDA

MONDAY, SEPTEMBER 21, 2026

8:00am - 7:00pm	Registration Desk Open	Townsquare Showhall
8:00am - 3:00pm	Exhibitor Setup	Townsquare Showhall
9:30am	Golf Scramble Registration	Bully Pulpit Golf Course
10:00am - 3:00pm	ICBND Annual Golf Scramble	Bully Pulpit Golf Course
5:00pm - 9:00pm	Exhibitor Theme Party Come as your favorite version of Teddy Roosevelt!	Townsquare Showhall
9:00pm - 10:00pm	Exhibitor Teardown	Townsquare Showhall

TUESDAY, SEPTEMBER 22, 2026

8:00am - 3:30pm	Registration Desk Open	Townsquare Showhall
8:00am - 8:45am	Breakfast	Badlands Pizzeria Parlor
8:45am - 9:30am	Opening General Session Welcome from Alexis Baxley, ICBND President Doug Parrott, ICBA Secretary	Townsquare Showhall
9:30am - 10:30am	ICBA Securities	Townsquare Showhall
10:45am - 11:45am	Bank Regulatory Panel *Lisa Kruse, DFI & Brendan Murrin, Minneapolis Fed*	Townsquare Showhall
12:00pm - 1:00pm	Lunch	Badlands Pizzeria Parlor
1:00pm - 2:00pm	A.I. – Is Your Bank Ready? - Anjelica Dortsch, ICBA	Townsquare Showhall
2:00pm - 3:00pm	Super Abundance - Marian Tupy	Townsquare Showhall
3:15pm - 3:45pm	Blue Ribbon Committee	Townsquare Showhall
6:00pm - 7:00pm	Annual Social Photo Sessions	T. R. Presidential Library
7:00pm	58th Annual ICBND Banquet	T. R. Presidential Library

WEDNESDAY, SEPTEMBER 23, 2026

8:00am - 11:00am	Registration Desk Open	Townsquare Showhall
8:00am - 8:30am	Breakfast	Townsquare Showhall
8:30am - 9:30am	Ag Outlook - Dr. David Kohl & Lynn Paulson	Townsquare Showhall
9:30am - 10:30am	Annual Prayer Breakfast - Matt Anderson	Townsquare Showhall
10:30am - 11:30am	Legislative Panel	Townsquare Showhall
11:30am - 1:00pm	ICBND Annual Business Meeting Luncheon State of the Association - Alexis Baxley, ICBND President Speaker: Josh Elder, ICBND Leadership Exchange Board Liaison	Townsquare Showhall

SCAN TO BOOK YOUR HOTEL!

**Schedule subject to change.*

REGISTER YOUR GOLF SCRAMBLE TEAM TODAY

ICBND invites you to attend its 2026 Golf Scramble, scheduled for Monday, September 21, 2026. The golf scramble will take place at Bully Pulpit Golf Course in Medora.

The golf scramble is the official kick-off to our three day ICBND Annual Convention (September 21-23). It is a day of fun and camaraderie, celebrating North Dakota's community banks and their continued commitment to their communities and customers.

You can register individually or as a group.

Golf Entry Fee: $200/golfer
**includes range balls, green fees, cart, lunch and prizes*

Golf Location: Bully Pulpit Golf Course,
3731 Bible Camp Rd, Medora, ND 58645

Registration: 9:30am (MT)
Shotgun Start: 10:00am (MT)
Scramble Format: Mixed 4-person – 18 hole event

PURCHASE ICBND ANNUAL CONVENTION BANQUET TICKETS

This year's ICBND Convention Banquet will be held at the brand new Theodore Roosevelt Presidential Library on Tuesday, September 22nd.

The evening will start off with a social hour in The Breezeway between the West and East Wings of the Library. Then, we will head inside for dinner and our awards presentation.

Entertainment for this year's Convention Banquet is the Theodore Roosevelt Presidential Library itself. Guests can take self guided tours of the property without the hustle and bustle of large crowds. Check out all the amazing things the Library has to offer at your own leisurely pace.

You can purchase Banquet only tickets for just this single event online at www.icbnd.com or by scanning the QR code below.

SIGN UP TO BE AN EXHIBITOR AT OUR EXHIBIT THEME PARTY & PAC RAFFLE

This event takes place Night 1 of our Annual Convention on Monday, September 21st at the Town Square Showhall in Medora, ND. This is great opportunity to network and meet with our banking members to share about your products and services one-on-one.

Only a few spots remain. Hurry to secure your spot today!

Sponsorships are what make this event possible and are a great way to showcase your company's dedication to community banking. Reach out to Jessie Pfaff to discuss sponsorship opportunities by calling 701-258-7121 or email jessiep@icbnd.com.

CHARITABLE DONATION OPTION FOR HOME ON THE RANGE

When registering for this year's 58th Annual ICBND Annual Convention, attendees have the opportunity to make a charitable donation to this year's charitable contribution project, Home on the Range.

All donations raised will be donated directly to Home on the Range.

Home on the Range operates a youth residential program in Western, ND, serving vulnerable adolescents who need more than temporary intervention. The Leadership Exchange program was hosted by Home on the Range during their June session.

Charitable Donation

ICBND has selected Home On The Range as the recipient of our charitable contribution project for 2026. ***Please note that ALL money raised will be donated directly to Home On The Range!*** Home On The Range operates a youth residential program in Western ND, serving vulnerable adolescents who need more than temporary intervention.

- 0 +

$ 500.00

Suggested Donation

To make your charitable donation, large or small, go to www.icbnd.com.

ND learntolive

August 2026 Webinars

Embrace your emotional health with a live webinar led by Learn to Live's clinical team.

Why Do I Care So Much About What Others Think?: Increased heart rate, sweaty palms, self-conscious thoughts, feeling isolated and lonely? Do you worry about others' judgement of you too much? You aren't alone. Break through your social anxiety and fear of other's judgement by learning evidence-based strategies to help you live more fully! **Friday, August 7th: 11-1130am CT/12-12:30pm ET**
Resisting the Pressure to be Perfect: Do you ever feel like you're not quite good enough, no matter how hard you try? When we put high pressure on ourselves and always strive for perfection, it can leave us feeling anxious, stressed, and sometimes we get stuck. Learn to Live's clinical team will discuss the impact of perfectionism and share practical tools to help you move forward with more self-compassion and freedom from the high pressure of perfectionism. **Tuesday, August 11th: 12-12:30pm CT/1-1:30pm ET**
Time Management: Capturing our Time Thieves: Struggling to get it all done each day and feeling overwhelmed? Juggling workload, family obligations, squeezing in time to see our friends and set aside some time for ourselves? It can be a lot! But chances are, we can accomplish our goals with just a few adjustments to our approach. We'll explain how we get off track and provide practical tools for achieving our goals when it feels like there is never enough time. **Friday, August 21st: 11-11:30am/12-12:30pm ET**
Raising Future Ready Kids: Resilience and Grit: Kids face challenges ranging from peer pressure to criticism and that's not going to change anytime soon. Future ready kids will need both resilience—the ability to bounce back from hard things—and grit—the ability to stick with difficult tasks. Learn to Live's clinical team shares proven strategies to help you support your kids in bouncing back from life's challenges for now and the future. **Wednesday, August 26th: 12-12:30pm/1-1:30pm ET**

To Register:

Click the link for the webinar of your choice and use the access code **BLUEND**.
Upon registering, you will receive a confirmation email from Zoom.

If you cannot attend a live session, you can still register to receive a link to the recording.

Be BlueElements

*Monthly well*ness materials are part of a comprehensive health and wellness platform, BlueElements.

ND BANKS BENEFIT TRUST

Blue Cross Blue Shield of North Dakota is an independent licensee of the Blue Cross Blue Shield Association.

Learn to Live, Inc. is an independent company offering online tools and programs for behavioral health support on behalf of BCBSND.

BND-24-0709480 • 7-26

Upcoming
Webinar Schedule

COMMUNITY BANKERS Webinar network Powered by FinEd

August 2026	DATE		TIME	
Effective Board Packets: Maximizing Reporting Effectiveness	Tue	08/11	10:00 AM	CDT
Writing a Top-Notch BSA Policy	Wed	08/12	10:00 AM	CDT
Troubled Loan Modification Recommended Practices	Thu	08/13	10:00 AM	CDT
Identity Theft Red Flags & FACT Act Compliance	Mon	08/17	10:00 AM	CDT
Fair Lending Essentials, Exam Issues & Compliance	Tue	08/18	10:00 AM	CDT
The Latest in Skip Tracing Tools & Techniques	Wed	08/19	10:00 AM	CDT
Conducting a Physical Security Review & Risk Assessment	Thu	08/20	10:00 AM	CDT
Confronting ACH Origination Fraud	Mon	08/24	10:00 AM	CDT
Efficient BSA Exam Preparation: Current Issues & Lessons Learned	Tue	08/25	10:00 AM	CDT
Commercial Loan Underwriting Fundamentals	Thu	08/27	10:00 AM	CDT
Enhancing Videoconference Compliance & Communication for Financial Institutions	Mon	08/31	10:00 AM	CDT

September 2026	DATE		TIME	
Handling Garnishments, Levies & Subpoenas: A Legal Compliance Toolkit	Tue	09/01	10:00 AM	CDT
SAR Decision-Making	Wed	09/02	10:00 AM	CDT
Escrow Deep Dive: From Loan Estimate to Annual Analysis	Thu	09/03	10:00 AM	CDT
Advertising Compliance Part 1: Text, Print, TV & Radio	Tue	09/08	10:00 AM	CDT
Fixed Income Collection Challenges & Solutions	Thu	09/10	10:00 AM	CDT
Reg E Requirements for Debit Card Error Resolution	Mon	09/14	10:00 AM	CDT
Security Assessments: A Security Program Essential	Tue	09/15	10:00 AM	CDT
Opening Nonresident Alien Accounts	Wed	09/16	10:00 AM	CDT
Internal Controls for Deposit & Check Fraud	Thu	09/17	10:00 AM	CDT
Roth IRA Distributions	Mon	09/21	10:00 AM	CDT
Advertising Compliance Part 2: Electronic Advertising, Including Social Media, Internet & Texting	Tue	09/22	10:00 AM	CDT
When a Depositor Dies: Next Steps	Wed	09/23	10:00 AM	CDT
Commercial Lending Risk Assessment & Mitigation	Thu	09/24	10:00 AM	CDT
Provisional Credit Under Reg E: Parameters, Timeframes & Landmines	Mon	09/28	10:00 AM	CDT
Data Breaches & Ransomware: Are You Prepared?	Tue	09/29	10:00 AM	CDT

SCAN TO REGISTER TODAY

Community Bankers Webinar Network (Powered by FinEd) partners with community bankers associations throughout the country to deliver quality webinar training for bankers in all 50 states. The synergy of these relationships allows us to successfully deliver more than 200 live and on-demand webinars, with more being added throughout the year.

ND BUSINESS HALL OF FAME NOW OPEN IN MEDORA

Built on GritTM, the first ND Business Hall of Fame designed to honor and celebrate businesses in North Dakota, is now open!

This new exhibit, created by Dakota Business Lending (DBL) in partnership with the Theodore Roosevelt Medora Foundation, is located inside the Harold Schafer Heritage Center in Medora, welcoming visitors of all ages during a historic time for the region as the nation celebrates the 250th anniversary of the United States and the opening of the Theodore Roosevelt Presidential Library.

Built on Grit: ND Business Hall of Fame highlights the ingenuity, grit, and vision of North Dakota businesses, from humble small-town startups to globally recognized companies, while inspiring the next generation of business leaders.

Visitors can read stories, learn about North Dakota businesses, and participate in interactive features created for all ages…all free of charge.

"For over 40 years, Dakota Business Lending has had a front-row seat to the resilience, creativity, and determination of North Dakota entrepreneurs," said Steve Dusek, President & CEO of DBL.

"We've seen firsthand how a simple idea can grow into a business that strengthens communities and shapes our state and future. "Built on Grit" was created to honor those stories and share them with visitors from across the country, while inspiring the next generation to pursue their own bright ideas."

Just like Medora and the Theodore Roosevelt Medora Foundation, Built on Grit exists to honor the stories that define North Dakota and the people who helped build it. The exhibit highlights 17 businesses from across the state whose ideas, partnerships, and perseverance helped make North Dakota the great state that it is, including those rooted in Medora's own business history.

"Every business begins with a dream," said Dusek. "We hope visitors get a new or renewed appreciation for those that have followed their dreams right here in North Dakota…and feel inspired to pursue their own."

The exhibit is open daily from 10:00 a.m. – 5:00 p.m. inside the Harold Schafer Heritage Center in Medora - 335 4th St, Medora, ND 58645.

AMERICAN STATE BANK & TRUST COMPANY CELEBRATES 120 YEARS OF EXCELLENCE AS WILLISTON'S ONLY LOCALLY OWNED COMMUNITY BANK.

American State Bank & Trust Company (ASB), is proud to celebrate 120 years of serving communities, businesses, and families across the region.

Since 1906, ASB has remained committed to relationship-driven community banking built on trust, service, and local decision-making. Throughout its 120-year history, the Bank has been locally owned by the Davidson-Sogard family. The ownership began under the local leadership of W.S. Davidson, Sr., followed by Thomas M. Davidson, Sr., and continues today with Tammy Davidson-Sogard and her family. "We are so proud of the 120-year relationship my family has had with Williston and the surrounding region. Our focus continues to be to enhance that relationship by providing the best possible banking experience to the citizens of our region," said Tammy Davidson-Sogard.

"For 120 years, our success has been rooted in relationships we've built with our customers and broader community," said ASB President and CEO, David Hanson. "This anniversary is a testament to the trust generations of customers have placed in us, as well as the dedication of our employees past and present. We are incredibly proud of our rich history and remain committed to community banking and personalized service."

Throughout its history, ASB has supported local businesses, agriculture, families, and community organizations while adapting to meet the changing needs of customers across generations. ASB Chairman of the Board Pat Sogard said, "Few institutions have the privilege of serving their communities for 120 years. This milestone is a reflection of generations of employees, customers, and community members who helped shape ASB into what it is today. As a family-owned community bank, we recognize the responsibility that comes with that history and remain committed to preserving the values that have guided this institution for more than a century while continuing to grow for future generations."

Thank you for entrusting us with your collateral valuation needs.

Your requests for service continue to increase, and we have capacity to take on more.

> I just wanted to say thank you for the timeliness and thoroughness of your report. The collateral valuation service that BND is offering is a much needed and valuable service for community banks like us!
>
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701.328.5852 or bndvaluation@nd.gov.

BND
Bank of North Dakota

LCD GROUP CELEBRATES OPENING OF KLEIN FRESH MEATS IN MINOT

Lewis & Clark Development Group proudly welcomes the official opening of Klein Fresh Meats in Minot, made possible by low-fixed-interest financing from the Northern Plains Food Infrastructure Fund (NPFIF).

Located at 1720 South Broadway, the USDA-inspected retail store and butcher shop offers fresh-cut meats, ready-to-cook meal solutions, smokehouse favorites, deli items, and grocery essentials. Owner Casey Klein brings more than 20 years of meat processing experience to the new venture. Opening his own facility represents the fulfillment of a long-held career dream, backed by funding through NPFIF — a regional program administered by Lewis & Clark Development Group (LCD Group) and funded by a USDA Rural Development Grant.

"For experienced butchers like Casey, NPFIF provides the critical bridge to ownership," says Chris Masse, NPFIF loan officer at LCD Group. "Our goal is to empower local meat processors to start or scale their operations. By helping Casey secure the equipment and location needed to open Klein Fresh Meats, we're strengthening the regional food supply chain and expanding high-quality choices for consumers throughout north central North Dakota."

NPFIF provides accessible, low-fixed-interest financing to meat processors across North Dakota, South Dakota, Montana, and Minnesota. The fund supports equipment purchases, facility upgrades, and real estate acquisition to bolster independent food processing throughout the region.

"We're excited to serve the Minot community and build a business rooted in quality, family, and tradition," said Casey Klein, owner of Klein Fresh Meats. "Financing from Lewis and Clark Development Group helped make our vision a reality. We look forward to feeding residents and serving the region for many years to come."

For more information about Klein Meats, visit kleinfreshmeats.com.

Processors, economic development officials, lenders, and community leaders interested in learning more about NPFIF financing are encouraged to contact Chris Masse at (701) 667-7602 or chris@lcdgroup.org, or visit northernplainsfif.com.

HOUSING DEVELOPMENT AND ASSISTANCE PROGRAM FUNDS AVAILABLE

North Dakota Housing Finance Agency (NDHFA) is currently accepting applications for affordable housing development assistance through the federal HOME Investment Partnerships Program (HOME), Low Income Housing Tax Credit (LIHTC) and the National Housing Trust Fund (HTF), and the state's Housing Incentive Fund (HIF).

"The programs North Dakota Housing Finance Agency administers address the state's most pressing housing challenges," said Brandon Dettlaff, NDHFA executive director. "Providing homes for low-wage workers, individuals and families who are aging or have disabilities and those who are homeless or at risk of homelessness strengthens our communities and positions them for growth."

HOME addresses critical housing needs by supporting housing production and funding homeownership and rental assistance programs for low-income households. $2.5 million is available through the HOME program.

LIHTC incentivizes the production or rehabilitation of affordable rental housing by offering federal income tax credits to property owners for up to 10 years, based on their capital investment and level of commitment to low-income tenancy. Credits of approximately $4.2 million are available.

HTF supports the development and preservation of affordable rental housing for extremely low-income households, including those experiencing homelessness. Through this program, $2.8 million is available.

HIF helps to ensure project feasibility, filling gaps in financing to increase affordability and supporting the development of housing in both urban and rural communities. NDHFA has $4.1 million available for multifamily project financing.

The application process for these programs is competitive, with conditional commitments awarded to top-scoring projects. Applicants must demonstrate the need for their proposed project or program and ensure the costs are reasonable. Applicants should use the most current version of the application when preparing and submitting materials. All funding levels are estimated and may be subject to minor changes. The deadline for submissions is 5 p.m. CDT on September 30, 2026.

More information about the programs and application process is available on NDHFA's website or by contacting the agency's Community Housing and Grants Management Division at (800) 292-8621, (701) 328-8080, 711 (TTY), or hfainfo@nd.gov.

SBA ANNOUNCES NEW "MADE IN AMERICA LOAN GUARANTEE" TO RESTORE MANUFACTURING DOMINANCE

The U.S. Small Business Administration (SBA) announced that small manufacturers across the country will soon be eligible for enhanced support through the SBA's International Trade Loan (ITL) Program. The loans, which come with a 90% federal guarantee, will help manufacturers expand facilities, hire workers, and increase production – as part of the Trump Administration's broader effort to rebuild America's industrial dominance and strength. In addition, the SBA recently expanded ITL eligibility to include small businesses across the food supply chain, including those in the agriculture, production, and logistics industries.

"Industrial dominance is essential to our national security and strength, and the Trump Administration has taken historic action to incentivize "Made in America" through tax cuts, deregulation, fair trade and energy dominance – all of which are restoring American industries and jobs," said SBA Administrator Loeffler. "Today, the SBA is taking another step to support reindustrialization with our new Made in America loan guarantee, which will give U.S. manufacturers additional financing to expand operations, modernize equipment, and supercharge domestic production. Small businesses make up 98% of all manufacturers in America, and as I've traveled across the country meeting with industry leaders, the demand for additional capital to expand and hire is evident. This Administration is transforming America into a nation of builders once again, as part of an industrial comeback that is being led by small businesses."

The ITL program unlocks long-term, affordable financing to support American producers – offering borrowers additional flexibility through an increased SBA guarantee of 90% compared to the standard 75% guarantee for the agency's flagship 7(a) Loan Program. This expanded support will give lenders greater confidence to deploy capital into domestic manufacturing, driving investments in machinery, facilities, and production capacity.

Starting May 1st, manufacturers across NAICS Sectors 31–33 will become eligible for the expanded ITL Program. Eligible businesses may use the funds to:

- Upgrade or replace equipment to improve productivity and reduce unit costs.
- Modernize facilities and production lines to meet customer and national security requirements.
- Diversify supply chains away from foreign adversaries and bring critical production back to the United States.
- Build more resilient inventory positions.
- Expand operations and capacity through strategic acquisitions.

The enhanced SBA funding builds on the Trump Administration's broader commitment to reshoring American industry and domestic supply chains. President Trump's Working Family Tax Cuts include major incentives for small manufacturers – including 100% expensing on factory equipment, no tax on overtime, and a permanent 20% small business deduction. The tax cut and fair trade agenda is already driving new demand and growth for small businesses, as weekly wages in the manufacturing sector surged by 5.1% in February.

In support of this agenda, the SBA launched its Made in America Manufacturing Initiative last year. The agency waived loan fees for small manufacturers in Fiscal Year 2026 and established the first-ever loan program dedicated to American manufacturers. The SBA also launched its Make Onshoring Great Again Portal, a free tool designed to connect small businesses with a database of more than one million domestic suppliers and producers – and cut over $100 billion in red tape crushing small businesses, including manufacturers.

Lenders and small businesses interested in the updated International Trade Loan program can contact SBA's national team of Finance Managers for more information. SBA's Finance Manager team not only supports the ITL program but also serves as the agency's working capital specialists and can help lenders and borrowers understand how ITL can be paired with SBA's expanding suite of working capital solutions - including the MARC and Working Capital Pilot.

BREANNA RISKEY-BARTA

BND HIRES NEW BUSINESS BANKING ASSOCIATE MANAGER

Breanna Riskey-Barta joined BND June 8 as the new Business Banking Associate Manager. She comes to BND from Old National Bank where she was the Commercial Support Team Lead. She has a bachelor's degree in psychology from the College of St. Benedict.

BND Bank of North Dakota

RHONDA VETTER

VETTER RETIRES FROM BANK OF NORTH DAKOTA

Congratulations to Rhonda Vetter who retired on July 2 after 42 years with Bank of North Dakota. She shares the following sentiment, "It has been an amazing 41 years. I've truly enjoyed working at such a great place with incredible people. I've seen a lot of changes over the years, along with some remarkable process improvements, and I feel lucky to have been part of it all. Also, along the way I made some great friends, and we've been through the highs and lows together. Through everything, this place has always felt like a second family to me, and I'm grateful for all the memories and friendships."

BND Bank of North Dakota

AMANDA MERNITZ

MERNITZ JOINS BND TEAM

Amanda Mernitz joined BND on Thursday, July 9 as the new Loan Portfolio Administrator. Amanda comes to BND from BNC National Bank where she was a Personal Banking Officer. She has an associate's degree in accounting, graphic design and communications.

BND Bank of North Dakota

BRANDEN RASMUSSEN

RASMUSSEN EARNS PALO ALTO CERTIFICATIONS

DCN Cloud Services Specialist Branden Rasmussen recently earned two certifications from Palo Alto Networks that help DCN protect customers from evolving cyber threats.

DCN dakotacarrier.com

The Certified Network Security Analyst certification validates expertise in managing network security policies, configuring security controls, and helping organizations monitor and protect their networks from cyber threats. Certification for Next-Generation Firewall Engineer requires demonstrating advanced skills in deploying, configuring, and managing next-generation firewall technology that helps organizations secure their networks and critical business systems.

Rasmussen has been with DCN since 2021, working with all aspects of DCN's cloud services infrastructure. He holds numerous other industry certifications including Palo Alto Networks Certified Network Security Administrator, Veeam Certified Engineer, and CompTIA Secure Infrastructure Specialist.

GRACIE NELSON

DAKOTA BUSINESS LENDING WELCOMES NELSON

Dakota Business Lending is pleased to welcome Gracie Nelson to their team as a Marketing Specialist.

In this role, Nelson will support DBL's marketing and communication efforts, help strengthen brand awareness, and promote programs and events. She will work alongside the marketing team to implement various marketing campaigns and brand initiatives that help connect entrepreneurs, lenders, and partners with Dakota Business Lending's loan programs and small business resources.

Nelson grew up near Fargo and is a recent Marketing graduate from North Dakota State University. She is excited to begin her career in the Fargo area while doing something she enjoys.

In her free time, Nelson enjoys spending time with family and friends, being outdoors and at the lake, and trying new coffee shops and restaurants.

NATHAN BRIGGS

DCN NAMES BRIGGS SALES ENGINEER

Dakota Carrier Network (DCN) has named Nathan Briggs the company's new sales engineer, based out of the Bismarck office and serving customers across the DCN footprint.

In this position, Briggs serves as a technical resource for design, verification, and deployment of services. This includes identifying customer IT needs and designing solutions to meet those needs, acting as a liaison between the sales and operations teams to facilitate the implementation and testing of customer solutions, testing and validating customer solutions in a lab environment, and demonstrating service offerings to current and prospective customers.

Briggs joined DCN in 2023 as an ethernet/IP technician. He holds an associate degree in computer information systems from Bismarck State College and a bachelor's degree in management information systems from the University of Mary in Bismarck. Since joining DCN, he has earned CompTIA Network+ and MEF Carrier Ethernet Certified Professional (CECP) certifications. Prior to joining DCN, Briggs worked in the mining industry in a variety of areas including server and network administration, network design, system security, and technical support.

STACEY DIEHL

JUSTIN WENTZ

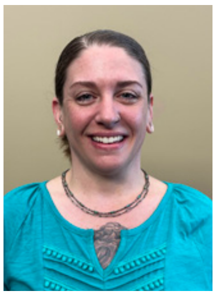
FIRST WESTERN BANK WELCOMES DIEHL AND WENTZ TO DOWNTOWN BISMARCK

First Western Bank is pleased to announce the addition of two experienced banking professionals to its team in downtown Bismarck, North Dakota.

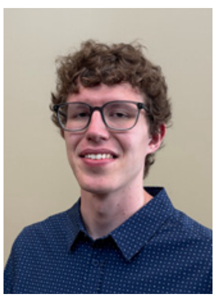
Stacey Diehl has joined First Western as Senior Vice President, Commercial Banker. With 30 years of banking experience, Stacey brings extensive industry knowledge and expertise. He holds a master's degree from the University of North Dakota and a Bachelor of Science in Accounting from Minot State University.

Justin Wentz has joined First Western as Vice President, Business & Customer Relations Manager. With 23 years of banking experience, Justin brings a strong background in customer relationship management and business development. He earned a Bachelor of Business Administration in Management from the University of North Dakota.

JEREMY GROSSMAN



ANJULI URAN



RYAN NEISS

DCN WELCOMES NEW TEAM MEMBERS

DCN
dakotacarrier.com

Dakota Carrier Network (DCN) has added three members to the Network Operations Center team. All are based out of DCN's NOC in Bismarck and serve customers throughout the state.

Jeremy Grossman and Anjuli Uran are new Ethernet/IP technicians. In this role, Grossman and Uran support DCN's state-of-the-art carrier Ethernet and IP networks. Responsibilities include network monitoring and provisioning, trouble analysis, receiving and resolving trouble reports, and administration of equipment.

Grossman has spent the past 12 years working in cybersecurity, most recently at BEK Communications. He earned AAS degrees in electronics/telecoms and computer support specialist from Bismarck State College and a bachelor's degree in business information technology from Minot State University. He also earned a Certificate of Competence in Zero Trust from the Cloud Security Alliance and is a CrowdStrike Certified Falcon Responder.

Uran came to DCN from Consolidated Telcom in Dickinson where she was an internet technician for nearly seven years. She studied biology and chemistry at Minot State University and earned an AAS in computer networking and cybersecurity from Bismarck State College. She is a Cisco Certified Support Technician and is certified in cybersecurity by the International Information Systems Security Certification Consortium.

Ryan Neiss has joined DCN as a data reporting analyst. The data reporting analyst monitors systems, maintains data and reporting tools, troubleshoots system and application-related issues, and works with employees, customers, and vendors to ensure reliable network services. Neiss earned a bachelor's degree in mathematics and statistics from North Dakota State University. He most recently served as a compensation analyst at a power cooperative.

THE ROLLOVER TRAP: WHY HSA ROLLOVERS AREN'T IRA ROLLOVERS

By: Jodie Norquist, CIP, CHSP | Ascensus | https://thelink.ascensus.com/articles

You may know the IRA rollover rules so well you can recite them in your sleep. But if you handle HSAs as well, don't get tripped up on an important distinction between HSA and IRA rollovers.

At first glance, the rules seem similar. Both involve moving money from one account to another where the account owner takes receipt of the assets but must timely redeposit the funds into the same or another account so it doesn't create a taxable event. This is unlike a transfer, where the client can't cash the check or the funds are sent directly to the financial organization.

Both IRAs and HSAs are subject to the 60-day and the one-per-12-month rollover rules, but there is a big difference in how the one-per-12-month rule applies.

IRA ROLLOVERS: ONE DISTRIBUTION, MULTIPLE CONTRIBUTIONS

For IRAs, the rollover process begins with a single distribution. The account owner receives the assets from one IRA and has 60 days to complete the rollover by depositing those funds into the same account or another eligible account. The 60-day clock starts the day after the account owner receives the distribution.

Think of an IRA rollover as one distribution. An IRA owner can contribute portions of that distribution in multiple rollover contributions within the 60-day rollover period but can't contribute more than the amount of the one distribution. Additionally, an IRA owner can only roll one distribution back into an IRA within a 12-month period.

Example: Bill, age 56, is remodeling his home and wants to take a $50,000 distribution from his IRA to use temporarily for the next 60 days. He then wants to recontribute this amount back to his IRA. As he's working on the project, he makes three rollover contributions, $10,000, $25,000, and $15,000, to his IRA within that 60-day window. This is a valid IRA rollover.

Example: Marcia, age 43, wants to update the landscaping around her property. She takes a $5,000 distribution from her IRA. A week later, she takes another $5,000 distribution from another IRA she owns because she needs additional funds to finish the project. She wants to roll $10,000 back into an IRA within the 60-day window. However, she cannot. She can roll only one $5,000 back into any of her IRAs because of the one-per-12-month rollover rule. The second $5,000 distribution will become a taxable event and is subject to a 10 percent penalty because Marcia is under age 59½ and does not have a penalty tax exception.

The key point is that an IRA rollover begins with one distribution and may end with multiple rollover contributions.

HSA ROLLOVERS: MULTIPLE DISTRIBUTIONS, ONE CONTRIBUTION

The IRS designed HSA rollover rules differently.

An HSA owner may take multiple distributions from an HSA and then redeposit those funds into another HSA as a single rollover contribution, provided all funds are contributed within the applicable 60-day period.

Example: Erika, age 32, withdrew $1,000 on Monday, $2,000 on Wednesday, and another $2,000 the following week from the same HSA, thinking she needed these funds for qualified HSA expenses. She decided not to go through with a scheduled medical procedure, so she wants to roll her distributions back into her HSA. Erika makes a $5,000 rollover contribution to her HSA within the 60-day period. This is a valid HSA rollover.

HSA rollovers can involve one or multiple distributions but only one rollover contribution.

This is the exact opposite of the flexibility afforded under IRA rollover rules.

THE ONE-PER-12-MONTH RULE ADDS ANOTHER TWIST

Individuals can generally complete only one HSA rollover during a 12-month period, regardless of how many HSAs they may own. The same rule applies to IRAs. But the 12-month period for IRAs starts the day after the IRA owner receives the distribution. For HSAs, it starts on the day the HSA rollover contribution was deposited, not on the date of the HSA distribution (or distributions).

It's important to note that the IRS allows IRA and HSA owners to violate the one-per-12-month rollover rule if the distribution is coming from an insolvent financial organization.

THE BOTTOM LINE

Because many financial organizations administer both IRAs and HSAs, it is easy for rollover rules to blur together. Understanding that IRA rollovers involve a single distribution that may be deposited into multiple receiving accounts, while HSA rollovers may combine multiple distributions into a single rollover contribution can help prevent reporting errors, reduce confusion, and improve the guidance you provide to your clients.

With rollovers, the terminology may be similar, but the rules are anything but.

CARD PROGRAMS: HOW TO DRIVE GROWTH IN 2026 BY KEEPING THEM RELEVANT

By: Tina Zulich | CSI | www.csiweb.com

Debit and credit card programs have been around for decades, and many financial institutions are focused on newer priorities: AI, instant payments, embedded finance, open banking, and digital experiences.

But cards are still central to everyday banking — powering purchases, generating useful data, and helping community banks and credit unions build stronger account holder relationships.

Improving your card program can help drive growth as fraud threats, merchant costs, and demand for personalization continue to rise.

CARDS STILL POWER EVERYDAY PAYMENTS

Even as payment options expand, cards are still the most popular way to pay. In 2024, credit cards accounted for 35% of all consumer payments by number and debit cards accounted for 30%, according to the Federal Reserve's 2025 Diary of Consumer Payment Choice.

That creates opportunity, and competition. Account holders carry multiple cards, and business owners use many payment tools. Being in the wallet isn't enough; institutions need a reason to be first choice.

That reason will look different across segments. For some account holders, it may be mobile wallet convenience, card controls, or merchant offers. For others, prepaid cards can provide a first step to build credit or manage spending. With U.S. credit, debit, and prepaid card purchase volume projected to grow from $12.260 trillion in 2024 to $15.701 trillion in 2029, institutions that tailor their card programs to different customer needs will be better positioned to capture long-term growth.

START WITH THE RIGHT CARDHOLDER SIGNALS

Many card programs still use broad promotions: a seasonal campaign, a generic rewards message, or a one-time activation push. That misses the bigger opportunity.

A stronger strategy starts with behavior. Institutions should look for signals such as:

- Active checking accounts with little debit use or cards never activated
- A decline in card spend over the past 60 to 90 days
- Account holders who may be better matched with secured, prepaid, or credit-building options
- High-value cardholders who may respond to rewards, merchant discounts, or premium benefits

This is where consumer intelligence and segmentation become practical. A college student building credit doesn't need the same message as a business owner managing expenses or a retired debit card user who values simplicity. Tailoring offers to those differences creates more relevant experiences.

MAKE ACTIVATION FEEL LIKE HELP, NOT A SALES PITCH

Many card programs lose momentum early in the lifecycle. A card is issued, mailed, and activated, but usage never becomes a habit.

Treat the first 90 days as a card adoption window. Build a short sequence that helps the account holder take the next useful step:

- Day 1: "Your card is ready. Here's how to activate it."
- Day 7: "Add your card to your mobile wallet for faster checkout."
- Day 21: "Use your card for everyday purchases like groceries, gas, and subscriptions."
- Day 45: "Set alerts to help monitor spending and spot unusual activity."
- Day 75: "See where your card benefits can help you save."

The same approach works for inactive cardholders. If someone hasn't used a debit card in 60 days, point to a specific benefit, such as easier checkout, controls, ways to earn rewards, or recurring bill payments.

ADD VALUE BEYOND POINTS

Rewards still matter, but they won't carry a card program alone. Many account holders expect security, digital access and practical savings.

For consumers, that may include:

- Card controls and real-time alerts
- Digital wallet support
- Credit-building options
- Fraud monitoring

For businesses, that may include:

- Expense management tools
- Cash-flow visibility
- Employee card controls

One practical way to extend that value is through merchant discounts. They give cardholders a reason to use their cards more often while helping financial institutions differentiate their programs beyond traditional rewards.

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USE MERCHANT DISCOUNTS TO GIVE CARDHOLDERS A REASON TO COME BACK

Merchant discounts give cardholders a reason to use their cards beyond rates, fees, or traditional rewards by helping them save on everyday purchases.

Programs like Visa SavingsEdge and Mastercard Easy Savings give business cardholders a practical reason to use their cards for everyday operating expenses:

- Visa SavingsEdge offers eligible Visa Business cardholders savings on in-store, online, and travel purchases through card-linked offers, cashback, and instant coupons.
- Mastercard Easy Savings automatically applies rebates on eligible purchases with no coupons or codes required.

Both programs are easy for issuers to implement and provide savings in categories businesses use every day, including fuel, dining, hotels, and travel. The result is a stronger reason for cardholders to choose their business card for everyday spending.

DON'T IGNORE THE BACK END

Card growth isn't only a marketing challenge. A core-integrated card processing solution can also support clean operations, good reporting, and disciplined portfolio management.

Institutions should regularly review:

- Activation, usage, and attrition trends
- Spend by channel, including card-present, card-not-present, and mobile wallet
- PIN vs. signature routing strategies
- Reissue costs and replacement cycles
- Fee structures, disclosures, and account holder experience

The front end needs the same discipline. Product mix, virtual cards, life-stage marketing, onboarding, and inactive strategies can all influence usage.

Better reporting helps teams see where the program is gaining traction, where friction is costing the institution, and which cardholders need a more relevant reason to reengage.

KEEP THE CARD PROGRAM MOVING

Cards are becoming more digital, data-rich, and competitive. The path forward is practical: use transaction data, segment by actual needs, strengthen onboarding and activation, expand business card value, promote merchant savings, and tighten operations.

Institutions that do this well treat cards as a daily engagement channel, a source of insight, and a growth engine.

NORTH DAKOTA BRANCH BANKING IS CHANGING. ACCESS, RELATIONSHIPS, AND SMARTER COVERAGE ARE TAKING THE LEAD

By: Bankers Equipment Service | https://www.bankersequipment.com

Branch banking in North Dakota has never been about volume or speed alone. It has always been about access, trust, and showing up for the communities' banks serve. While digital banking continues to grow, the physical branch still plays an essential role across rural and regional markets. What is changing is how that role is fulfilled.

Today's branch is less about handling transactions and more about supporting decisions. Customers still want a place they recognize, trust, and can rely on. They just expect service to work around their lives rather than the other way around. For North Dakota banks, this shift is not theoretical. It is happening now, driven by geography, staffing realities, and evolving customer behavior.

BRANCHES ARE BECOMING CENTERS FOR PROBLEM SOLVING

Customers rarely walk into a branch for something simple anymore. Deposits, transfers, and balance checks are handled digitally. When customers do visit, it is usually because the issue matters.

They want help with lending decisions, business needs, account changes, fraud concerns, or financial guidance. That changes how branches need to operate.

Banks that are adapting well are focusing branch time and space on conversations rather than counters. Staff are trained to handle a wider range of needs in a single interaction. Private meeting space is prioritized. Workflow is designed to reduce repetitive tasks so teams can stay focused on customers. This approach reinforces relationship banking instead of replacing it.

GEOGRAPHY DEMANDS FLEXIBILITY, NOT MORE BUILDINGS

North Dakota's size and population distribution create challenges that many traditional banking models do not address well. The distance between towns is significant. Staffing can be difficult. Foot traffic varies widely.

Opening new branches is not always practical or necessary. At the same time, withdrawing from small communities risks damaging trust and access.

That is why many banks are shifting from a branch expansion mindset to a coverage mindset. The question is no longer where to build next, but how to maintain presence and service without expanding overhead.

Smarter access points, supported by secure technology and reliable service, allow banks to stay visible and connected while managing costs responsibly.

WHAT A RURAL FINANCIAL INSTITUTION DID DIFFERENTLY

A rural financial institution in the Northern Plains recently faced a common problem. Their ATMs were nearing end of life. Customer demand for deposit services was growing. Staff time was being tied up with manual processes. Several communities no longer had full branch locations but still relied on local access.

Instead of treating this as a simple equipment replacement, leadership stepped back and asked a more important question. How do we keep serving these communities without asking customers to travel farther or reducing service?

Working with Bankers Equipment Service, they implemented Interactive Teller Machines (ITMs) in strategic rural locations and paired that access with operational improvements inside their staffed branches.

The result was not just upgraded equipment. It was a change in how service was delivered.

WHAT MATTERED MOST

- **Keeping banking local through ATM/ITMs**
  ATM/ITMs allowed the institution to maintain a visible banking presence in rural communities where a staffed branch was no longer practical. Customers still had reliable, secure access without losing the sense that their financial institution was part of the community.
- **Saving customers time and money**
  Customers could make deposits on their own schedules instead of driving long distances or rearranging workdays. That convenience reduced travel costs and time away from family and work, which mattered in sparsely populated areas.
- **Supporting staff and long-term service**
  Shifting routine transactions to ATM/ITMs reduced manual handling and balancing issues, freeing staff to focus on meaningful conversations. Ongoing service, training, and hands-on support from Bankers Equipment Service ensured the technology worked reliably in real rural conditions.

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SMALL CHANGES CAN CREATE LONG-TERM IMPACT

This example highlights an important lesson for North Dakota banks. Branch evolution does not have to start with construction or major capital projects.

Often, the biggest gains come from operational changes. Reducing manual processes. Rethinking how access is delivered. Supporting staff with tools that fit the environment they work in.

Technology is most effective when it solves a real problem. In rural markets, that problem is often access rather than sophistication. When done right, modern access points strengthen relationships rather than replace them.

THE BRANCH IS NOT GOING AWAY

North Dakota's banking future is not branchless.
It is intentional.

Branches remain powerful symbols of stability and trust. Advisory-focused spaces, smarter access models, and reliable service support allow banks to meet modern expectations while staying rooted in their communities.

The institutions that succeed will treat branch banking as a service strategy, not a real estate strategy.

The branch is still here. It is simply doing its job differently.

Live Well, Work Well

August 2026

5 Ways to Sleep Better in the Summer

A good night's sleep is crucial for overall health and well-being, but as the days grow longer and temperatures rise, many people find falling and staying asleep increasingly difficult. The increase in daylight hours delays your body's production of melatonin, which promotes sleep. This impacts your circadian rhythm, the body's internal clock that regulates your sleep-wake cycle. The longer summer days tell your body to stay awake longer and may make it more difficult for you to fall asleep.

Hot weather can also influence sleep patterns by raising your body temperature. This moves your body into a heightened state of awareness, preventing you from falling asleep or waking you up. In addition, people may have busy social calendars, further interfering with their regular sleep schedules. All these disruptions can make it challenging to get restful sleep during the summer.

The American Academy of Sleep Medicine found that 1 in 3 people say they sleep less in the summer.

Summer sleep disturbances can be frustrating, but try these five tips to improve your sleep quality:

1. **Keep a consistent schedule.** Late nights can happen in the summer, but try to stick to a regular and consistent sleep schedule to regulate your circadian rhythm.
2. **Create a cool sleep environment.** Keep your bedroom cool with fans and air conditioning, or prop doors and windows open. The best temperature for sleep is 65 degrees Fahrenheit.
3. **Use lightweight fabrics.** Opt for lightweight and moisture-wicking pajamas and bedding. Materials like cotton, linen, bamboo and silk can help you stay comfortable.
4. **Try a sleep mask.** Longer daylight hours can disrupt your sleep cycle, so wearing a sleep mask can help darken the room. Experts advise against blackout curtains; allowing some light alerts your body that the day is coming.
5. **Stay hydrated.** Drink plenty of water throughout the day to stay hydrated in the heat, but avoid large amounts right before bed to prevent waking up for bathroom trips.

Understanding how summer's long days, high temperatures and lifestyle changes can affect your sleep can allow you to take action to improve your slumber. If you have questions or concerns about your sleep quality, contact your doctor.

Well-being Tips for Summer Festivals and Fairs

With sunny days, seasonal breaks and time off, summer is a popular time for public outdoor events. Festivals and fairs carry several health and safety risks (e.g., heat-related illness, sun exposure and dehydration), as well as crowd safety hazards and foodborne illness from vendors. Consider these tips to stay healthy and safe at festivals and fairs:

- **Plan ahead.** Check the weather to know how to dress, and familiarize yourself with the venue layout so you can quickly find exits, first-aid stations and water refill points. Stick with your group and set a meet-up plan in case you get separated.
- **Check event policies.** Review the venue's website for rules on bags, water bottles, sunscreen containers and umbrellas.
- **Stay cool and hydrate.** Wear light, breathable clothing, drink water throughout the day and take shade breaks to cool down.
- **Use sun protection.** Apply a broad-spectrum sunscreen and reapply every two hours. Consider wearing a hat or sunglasses for extra protection.
- **Protect your hearing.** Use earplugs or noise-canceling headphones in loud areas to reduce hearing damage.
- **Prioritize your personal safety.** Use anti-theft bags, keep valuables close and stay aware of your surroundings to navigate crowds and avoid hazards.
- **Eat and drink responsibly.** Choose vendors with clean setups and proper food safety equipment, or eat beforehand or pack your own food if allowed. If drinking alcohol or caffeine, balance it with water to avoid worsening dehydration or heat illness.

Prioritizing your health and safety at festivals and fairs can help you minimize risks and maximize fun.

Are You Up to Date On Your Vaccines?

Every August, National Immunization Awareness Month promotes the importance of immunizations at all life stages. Vaccination protects against severe illnesses and complications of vaccine-preventable diseases, including measles, polio, hepatitis, meningococcal meningitis and COVID-19.

Vaccinations are so vital that the U.S. Centers for Disease Control and Prevention offers immunization schedules to help you understand if you or others are up to date on shots:

- Infants and children (birth to age 6)
- Preteens and teens (ages 7-18)
- Adults (ages 19 and older)
- Pregnant people (before, during and after pregnancy)

Getting vaccines at the recommended time is the best way to protect against serious diseases. If you're behind on routine vaccinations, consider getting vaccinated as soon as possible. Your doctor can offer personalized guidance and provide more information about vaccines. Flu season is right around the corner, so pharmacies and clinics may soon begin getting this year's shots in.