

A Focus on Providing Financial Solutions for the Local Agricultural Space and the Dairy Industry has enabled Investors Community Bank to become the Tenth Largest Bank in Wisconsin



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Interview conducted by:
Lynn Fosse, Senior Editor
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CEOCFO: *Mr. Schneider, what was the vision when you helped found Investors Community Bank 20 years ago?*

Mr. Schneider: The four of us who founded the bank all worked for a large institution located here in Manitowoc, Wisconsin, but nationwide we had a banking footprint. We continued to feel like we were unable to take care of our customers as we felt they needed to be taken care of and provide the service levels required; in particular in the agricultural (ag) space, where as you know we are a market leader in the state. That really was the primary motivation for us as we embarked on our own venture with Investors Community Bank.

CEOCFO: *How has it worked out over time and what is the vision today?*

Mr. Schneider: I think it has worked out quite well. We have grown to become the tenth largest bank headquartered in the state of Wisconsin. We have exceeded our original expectations, and we have been excited about the opportunities and markets we now serve, including the new markets since our acquisition of The Business Bank in the Appleton and Green Bay markets in May of last year. It has gone quite well.

CEOCFO: *Would you tell us about the area you serve and what other types of businesses and customers are in your arena outside the AG space?*

Mr. Schneider: When we started the bank, we were mainly focused on two lines of business; the ag sector (primarily in the dairy space), but we also wanted to focus on business banking. Business banking is much more competitive than agriculture, as there are a lot of banks and even credit unions that are chasing that type of business in our markets. But we understood it was something we wanted to pursue from a diversification standpoint. The acquisition of The Business Bank provided a nice bump in our business banking portfolio, as they were purely

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focused on business banking. We continue to look for opportunities from an acquisition and organic growth standpoint in that footprint, and ideally we would love to get back to more of a balanced position between ag and commercial, whether it is commercial real estate or C&I (Commercial and Industrial) on our balance sheet. Right now we are about 60/40 ag/commercial and ideally our target is to get back to 50/50.

CEOCFO: *How do you reach out for new business?*

Mr. Schneider: We have hired experienced bankers and we just recently announced the hiring of another very senior commercial banker from a large institution in the Appleton market. Our focus is centered on the personal relationships that the bankers out in the field have with either their customer base or their centers of influence to provide potential referrals. It is a grassroots effort to get out and connect with customers and potential customers.

CEOCFO: *Would you give us a couple examples when you go above and beyond?*

Mr. Schneider: In the ag space, all 10 of our agricultural bankers grew up on dairy farms. I grew up on a large dairy farm as well not far from our headquarters here in Manitowoc. We pride ourselves on understanding the industry as well as what our customers go through on a daily basis. I think that provides a lot of value. The space that we lend in, on the dairy side, also provides opportunity as our lenders get out and visit with other farm customers. They are able to see best practices and share them with their existing customer base to help them improve and better their operation. The other thing I would mention on the ag side is that we have loans in 60 out of 72 counties in the state of Wisconsin, as well as customers in neighboring states. Many of our ag customers have never actually set foot in one of our branches. Our ag bankers are out on the road in the customers' driveways, on their farm sites visiting with them, doing business at the kitchen table and watching farm operations with them. That brings a lot of value to the customer and is how we differentiate ourselves. On the business banking side it is a much more crowded and competitive space. We try to hire experienced people with those connections and relationships but we also try to bring the bank to the customer. Much of the business transacted is at the business owner's office or business location. That provides a lot of value. We also try to hire commercial bankers that have specific expertise in various niche areas, whether it is the manufacturing space that is dominant or other industries that we feel are opportunistic from a banking standpoint.

CEOCFO: *Are there services you would like to add?*

Mr. Schneider: We believe we have a full range of what is needed to serve our ag and business banking customers. We are not a big consumer bank. We have not done a lot of consumer lending; we did early in our existence; however, given some of the additional regulatory reforms through Dodd Frank, we decided to move away from that and focus on what we are best at, which is agriculture and business banking. From that perspective, we feel we have a full gamut of products that our customers need.

CEOCFO: *Can you help in situations such as Canada lowering the cost of milk produced in Canada while the US cannot match those lowered prices?*

Mr. Schneider: I know there was some finger-pointing about the trade agreements that our president and others felt needed to be adhered to. I think that battle is worth fighting, but there is unfortunately a bit of an

over-supply situation at the moment, and what is impacting the over-supply is the strong US dollar and the export market that up until about two or three years ago was very vibrant and strong. Those prices on the export side are softening a little bit on the volumes that have been exported. On that end, we try to work with our customers. We have been through at least four down milk cycles in our 20-year existence. We try to be patient with our customers, whether it is restructuring their debt to get them through these lower milk price cycles or providing some potential interest-only periods that allow them to cash flow effectively and keep their operation viable. We have been patient and understand and know that it is the cycle that we are going to go through. We continue to be bullish on the dairy space, and the ag space in particular, as the world continues to grow in population and there is a demand for better diets long-term. The US from an agriculture perspective is well suited to serve those needs.

CEOCFO: *Are there many local banks in competition?*

Mr. Schneider: On the commercial banking side there are a number of community banks based in Wisconsin that are chasing that same business we are. We feel strongly that it is about the relationship the banker has with the customer and with the potential prospect in trading those relationships. From a commercial standpoint, there are a lot of community banks that are competitive state-wide that we are bumping into. In the agriculture world, we see just a handful of community banks scattered around the state that do some ag, but not at the scale that we do it. Our primary competitor there is really the farm credit services organizations. They are obviously focused just on the ag space, and we bump into them quite often. They are a strong competitor that we have to contend with.

CEOCFO: *How did the merger go and what were some of the challenges?*

Mr. Schneider: We embarked on an acquisition strategy about three or four years ago and decided we were well positioned to be an acquirer. That was part of the motivation for taking the company public roughly two years ago, so we could bring a public currency to any potential transactions we had and provide long-term shareholder liquidity. We are one of only five truly exchange-traded banks in the state of Wisconsin, so that gives us a competitive advantage. Our first acquisition was about one year ago, and we felt it went quite well. We have a targeted strategic acquisition strategy. We are not just going to look for any bank; we are going to make sure it fits what we are looking for. The business loan or commercial lending diversification is critical to us as we look for opportunities. The Business Bank in Green Bay and Appleton fit that profile perfectly. They also are two markets that are not terribly far from Manitowoc, so the integration from a cultural and physical standpoint went smoothly. We already had relationships in both those markets, so there was some awareness of Investors Community Bank brand in those markets. The biggest thing I was focused on and will be in the future as we look for acquisitions besides the strategic objectives is the cultural fit. Our culture is extremely important to us and we want to maintain that culture. We feel good that the cultural fit between The Business Bank and Investors Community Bank was strong. You can imagine when you merge two systems the integration piece on the systems side can have a couple of stumbles, and we did have a few issues that we worked through, but all in all we feel things have gone quite well from an acquisition standpoint.

CEOCFO: *How is business these days?*

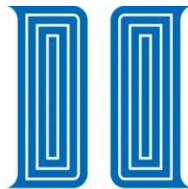
Mr. Schneider: On the dairy side it's the lower milk price, which has softened a bit. Many of our lenders are tending to their existing portfolios and trying to manage them through this cycle. We have been through this four times before, as I mentioned, so it is not something new that we are dealing with. But we are not seeing the demand from a new loan standpoint on the ag side as strong as we probably have in the last four to six years. In commercial banking, we are starting to see some nice momentum. If you look at our first quarter earnings release, you'll notice we had nice commercial growth the first quarter and our pipeline on the commercial side continues to be strong and robust. The addition of our latest senior commercial banker in the Appleton market will bring us some additional opportunities. Business has been very solid.

CEOCFO: *Is the investment community taking notice of County Bancorp, Inc. and Investors Community Bank?*

Mr. Schneider: They are slowly starting to notice us. We are still a microcap public company. I have done a number of road shows since we went public, and I have a couple more scheduled this month and into the summer months. I think the institutional investors are intrigued by our model and our historic success. It is different from how a lot of banks operate, and with our efficient model of low brick and mortar, profitability consistently in the top quartile, and our focus on the ag and business banking spaces, we've drawn some interest. We have been pleased with that and want to continue to promote the institution in the future.

CEOCFO: *Final thoughts?*

Mr. Schneider: On the investment side, we have a unique opportunity here for people who are looking for an investment. We have a 20-year run of solid growth and financial performance. If you look at our historical performance and the stock valuation (some of this is in our recent slide deck from the road show), we roughly had a 16% compound annual growth rate for our shareholders in the value of their investment in our 20-year history, which I think is tough to match for any investment that an investor might be looking at. I think we have a true solid investment to consider. We have some upside for future growth as well, given our organic growth opportunities and our acquisition strategy that we are moving through. On the customer side, I feel we have done a really nice job with our customers in building those relationships, bringing value and understanding their industry. Our brand promise is to "walk in our customers' shoes," and that is really an important component. We understand their business and meet them on their turf to discuss their needs and opportunities. Our bankers are very focused on that. It is not about a transaction, it is about a relationship and trying to customize the solution to the customer.



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