



NANCY KUEHN

TABLE OF EXPERTS

Community Banking Landscape

The Minneapolis-St. Paul Business Journal held a panel discussion on the community banking landscape. Panelists included Dave Faust, president and CEO, Platinum Bank; Steve Meads, president and CEO, MidCountry Bank; Dan Olson, shareholder and co-chair of the employment-law group, Bassford Remele; and Joe Chybowski, president and CFO, Bridgewater Bank. Whitney-Lehr Koenig, market president and publisher of the Business Journal, served as moderator.

WHITNEY-LEHR KOENIG: What are your predictions for the banking sector over the next few years?

DAVE FAUST: I foresee more consolidation. To generate returns that satisfy investors, banks need to achieve a

certain scale. This shift might impact small businesses, as banks pursue larger deals, making it harder for some entrepreneurs to find the personalized service they desire.

STEVE MEADS: We are in an industry where our costs keep going up, and

we're having a hard time absorbing those increases.

JOE CHYBOWSKI: There's a large number of banks in Minnesota, which means there are a lot of targets. Conversations about M&A are taking place in boardrooms, especially with an administration that's potentially more friendly to dealmaking.

FAUST: There are ~240 banks in Minnesota. Beyond the top 25 largest banks, it gets small quickly, with 50% of the banks having less than \$200 million in assets. Finding successors to run these banks in outstate areas is becoming increasingly difficult.

CHYBOWSKI: If M&A happens, it unfortunately takes out those lenders

of small business. That's where it has a downstream impact, especially if it's an out-of-state buyer, which the majority have been in the Twin Cities over the past couple of years. For instance, when Old National buys Bremer, every decision is now going to run out of Evansville, not the Twin Cities, Brainerd, Alexandria, or any of their other markets. On one hand, this creates real and unfortunate disruption for the client, while on the other hand, it provides an opportunity for local banks to step in and provide that differentiated level of responsiveness that only community banks can offer.

KOENIG: With the current outlook for 2025, what advice would you give business owners?

MEET THE EXPERTS



Steve Meads
President & CEO
MidCountry Bank

Steve Meads provides humble, confident leadership, driving success as the President and CEO of MidCountry Bank. Steve joined the organization in 2010 and has strategically built a talented team with a unified focus to establish MidCountry as a respected, locally owned and managed financial service provider in the market.

Steve built his extensive banking career in the Twin Cities, with increasing management oversight for several financial institutions prior to assuming his current role. Steve is adept at navigating and managing multiple business lines in a complex and highly regulated environment.

A strong community supporter, Steve has extended his leadership to the community through service to the YMCA of the North, Ronald McDonald House Charities, and the Woodbury Community Foundation. He currently serves on the board of Saint Therese, a senior care organization supporting multiple facilities in the Midwest.

Steve holds a Bachelor of Arts in Economics from Carleton College and a Master of Business Administration in Finance from the University of Wisconsin, Madison.



Daniel Olson
Shareholder
Bassford Remele

Daniel Olson is a commercial and employment law litigator at Bassford Remele, with a record of successfully trying, arbitrating, and mediating a variety of disputes. He represents clients ranging from Fortune 500 companies to non-profit organizations to individuals. Dan regularly represents banks in unfair-competition cases involving non-competition agreements, non-solicitation agreements, and trade-secret theft. Dan also regularly counsels and trains employers and other lawyers on a variety of employment matters, including discrimination and harassment laws, leave and accommodation issues, and non-competes and restrictive covenants. He currently teaches employment law at the University of St. Thomas School of Law. Dan has been named to the Minnesota Super Lawyers list and The Best Lawyers in America for his proficient work across the full spectrum litigation. In addition, he serves as Co-Chair of Bassford Remele's Employment Group and is also a member of Bassford's Board of Directors.



Dave Faust
President & CEO
Platinum Bank

Over the past 34 years, Dave has held senior leadership positions within the Twin Cities Community Banking market. He joined Platinum Bank as a shareholder and executive officer in November 2014. Dave was named President & CEO in June 2019 and serves as a Bank Director and President of Platinum Bancorp Holding Company. The common link between these roles has been growth. Dave enjoys building teams personally and professionally. Whether coaching youth sports or recruiting banking executives, the aspect of bringing a group of individuals together to achieve a common goal is what gets Dave up in the morning. Dave resides in Lake Elmo with his high school sweetheart Denise and three children. He is a graduate of St. John's University and Hill-Murray High School.

In his free time, Dave enjoys spending time on the St. Croix River with his family, distance running and coaching. Volunteer activities include Board Member Hill-Murray Foundation Board, State and Regional DECA Judge, Board Member of Youth Advantage a not for profit company that enables disadvantaged children to participate in athletics by providing equipment, registration fees and transportation.



Joe Chybowski
President & CFO
Bridgewater Bank

As President and Chief Financial Officer of Bridgewater Bank, Joe Chybowski plays a pivotal role in driving the bank's financial strategy, corporate development, and strategic growth initiatives. Since joining Bridgewater in 2013, Joe has been instrumental in the bank's evolution from a small de novo institution to one of Minnesota's largest banks, with assets growing from \$460 million to \$5.1 billion during his tenure.

A driving force behind Bridgewater's growth, Joe successfully led the bank through its 2018 IPO, the first in Minnesota banking in over 25 years, raising over \$58 million. He has also been at the forefront of the bank's M&A strategy, including the recent acquisition of First Minnetonka City Bank.

Recognized as a 2024 '40 Under 40' honoree by the Minneapolis/St. Paul Business Journal and a Notable CFO by Twin Cities Business in 2022, Joe is widely respected for his strategic acumen and people-first leadership.



BRIDGEWATER BANK

MEADS: Business owners that keep a good amount of liquidity have more flexibility.

FAUST: The value of partnerships can't be overstated. If you don't have the right accountant, legal advisor, or bank, now is the time to find the right fit. When the time comes, you need partners who can execute with certainty and be there when you need them most.

DANIEL OLSON: I think also community bankers should recognize that's a huge opportunity, building relationships, strengthening relationships with some flexibility, as opposed to the larger national banks.

KOENING: So what are the biggest challenges and opportunities facing the banking industry?

CHYBOWSKI: Like I touched on earlier, as larger institutions acquire regional banks and decision-making moves further from local communities, there's a huge opportunity for community banks to step into the gap and provide people with the local expertise and personalized banking relationship they're looking for. Additionally, when lending conditions tighten due to economic shifts or state-level policies, community banks have an opportunity to be that trusted resource. Disruption often creates opportunities to build new and lasting client relationships.

FAUST: Fintech's provide quick, easy access to capital, convincing some entrepreneurs that a real, authentic relationship isn't valuable. Community banks need to better articulate our value proposition to customers.

MEADS: One advantage that community banks might have over larger national banks is that we don't just know one person in the business. In the bigger banks, they might have only one point of contact. If that one point of contact then leaves or is on vacation, they have an issue. We have a deep bench and a depth of relationships.

FAUST: So many entrepreneurs don't even walk into a bank. They think banks are dinosaurs.

CHYBOWSKI: One of the ways we add value for our clients is by bringing them together. It's not just about what we as

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DAVE FAUST
Platinum Bank

bank can provide, but also connecting them with the right people -- linking the accountant with the lawyer, with the real estate entrepreneur. You never know when you're going to need that partner. But when the time comes, having that network in place is invaluable.

OLSON: Any small business is going to need to lean on other professional service firms to be successful and grow. If you find a banker you trust, chances are your banker knows accountants and lawyers they trust, and so you tap into their network.

KOENING: Dan, where do you think we'll be in five years?

OLSON: From an employment perspective, I think community banks will again be able to use noncompetes in the states that allow them. The reason the noncompete ban was implemented was, in part, because you can effectuate sufficient protections through nonsolicitation provisions and other restrictive covenants. Your business interests are always going to be protected through restricting employees' ability to walk across the street to another bank and start soliciting their customers. But the most important thing any employer can do is focus on talent retention, and you can retain talent through other mechanisms besides noncompetes.

FAUST: If you have the best people, they'll deliver the best experience. Community banks will continue to thrive due to their commitment to relationships. The next five years will be good for those with great talent who can execute and are clear about their identity.

CHYBOWSKI: Over the next five years, I think the most successful community banks will be the ones that take a disciplined, focused approach to serving specific client segments. This leads to long-term success.

At Bridgewater, our philosophy is that rather than trying to be everything to everyone, we focus on what we do best. By strategically allocating our resources, we're able to specialize and deliver exceptional value where it matters most.

FAUST: We've really leaned into SBA lending over the last few years. While this approach carries more risk and doesn't turn a bad deal into a good one, it provides more cushion for small business owners to get their businesses up and running.

KOENING: What steps has your bank taken to make it easier for small businesses to access credit?

FAUST: We've implemented a simple scorecard model that allows us to approve deals up to \$500,000 same day with basic information. We still make sure to personally interact with clients to ensure nothing is missed. Our goal is to create tools and processes that speed up the approval process.

MEADS: We look at products and services that small businesses really need, like fraud protection and cash management tools, to help bring a more comprehensive solution.

CHYBOWSKI: We're seeing more small business owners are thinking about succession planning, so we're identifying these future leaders and helping them prepare. By working closely with both current owners and their successors, we're able to provide insights and financial solutions that support long-term success.

KOENING: What role does relationship banking play in helping businesses grow and succeed?

MEADS: If you understand the objectives of the business, you are in a better position to support them. If they're going to grow

and make an acquisition or expansion, you can help get them ready. That's where relationship banking is really important. You can understand it, address it faster, and be more supportive.

CHYBOWSKI: At the end of the day, we're a relationship-based bank. That's been at the heart of who we are since our founding in 2005. What does that mean for our clients? It means no 1-800 numbers, responsive support, and bankers who truly understand their unique goals and challenges. Take real estate, for example--many of the loans we made in 2019 and 2020 are repricing at a much higher rate in today's market. But there's a relationship there, and you have to weigh what's in the best interest of both the bank and the relationship long term. That's why, 12 months in advance, we proactively review loans set to reprice, assess how the property is performing, and work with our clients to identify solutions ahead of any potential concerns. Sometimes there's an opportunity to get creative. Loyalty goes both ways, and that's one of the things that makes relationship banking so valuable.

FAUST: I think that's the essence of why you want to bank with a community bank, right? Because you at least have an opportunity to have a conversation.

CHYBOWSKI: Exactly.

OLSON: As we're talking about the strengths that community banks have in the current market, there's a talent acquisition and retention component to it that's so different than national banks. Statistically, we're seeing younger workers wanting to have four, five, six gig jobs, not a traditional job. And that's true nationwide, including in Minnesota. If you project that mentality toward the banking industry, you're far more likely to get someone to stay because they're feeling invested in those personal relationships that they're building with their clients.

KOENING: As the cost of running a bank continues to rise, many banks are looking to scale. What do you see as key drivers of successful M & A in today's environment?

CHYBOWSKI: There's a pressure to scale, and sometimes that's misplaced. The key question is: What are you trying to achieve through M&A? You can grow just to grow, but successful deals actually improve the

franchise value and fill gaps in your business. There's plenty of examples of deals that were purely about getting larger, and that's not necessarily good for the franchise or the client experience.

FAUST: I think assessing the culture fit and being highly intentional about retaining, attracting, and developing talent are the keys to success. Some banks have done this well, while others have not.

OLSON: Yeah, there are two sides to that. One is assessing a cultural fit prior to the acquisition, and then the second is effectuating a culture transition post-acquisition. So, you can find a merger target that you feel is a perfect culture fit from a business standpoint, and fit goes by the wayside because you don't try to cultivate those seeds to integrate culture post-merger. A couple months down the road is too late, if you're not being thoughtful and having a plan in place to keep the talent and preserve the culture.

KOENING: How are you leveraging AI to enhance services?

FAUST: We've started exploring AI with some basic applications for communication and research. While we haven't fully immersed ourselves yet, we're excited to explore how AI can enhance our services.

CHYBOWSKI: There's obviously a ton of buzz around AI. How can we apply this? Well, we're working to identify high-volume activities where automation would potentially improve efficiency without compromising the quality of our service. For example, we're looking at ways AI could help our credit analysts interact with credit policy. Could they ask it questions? Would this help us understand how to optimize our training?

MEADS: We want to deliver our products and services in a personable manner, so the use for AI for us is more behind the scenes.

OLSON: Bassford is actually at the forefront of utilizing AI here in the Twin Cities legal community, and we encourage all of our attorneys to view it as a starting point, not a substitute. It gives you a start on your legal research, and then you need to vet it.

If you submit something to a court that has fictionalized legal authority, you're going to get sanctioned. In the community banking realm, you have the flexibility to embrace and adopt similar tools, but it's interesting to me that there haven't been bank-specialized AI programs. You would need the trust that we have in using our legal AI tool, closed circuit, knowing that our client data isn't just shared with the general population at large, and then banks may have a more comfort to experiment with it.

FAUST: Fraud detection is one area we're focusing on, using automated tools to enhance security. We're also working on lead generation and distributing value-added content that small businesses need to know.

CHYBOWSKI: We're also exploring how AI can assist with loan documentation, particularly in cases where we use attorney-drafted credit documents that are highly customized and specific to each deal. AI has the potential to scan these documents, summarize key terms, and extract important details. In some cases, it could even input relevant data into our systems, helping streamline the process while maintaining accuracy. These are some of the use cases we're currently exploring.

OLSON: But especially in the banking sphere, AI is not going to substitute community bankers and the relationships those individual bankers can foster.

KOENING: With the rapid evolution of the banking industry, what new skills do you believe are essential for employees to stay ahead?

FAUST: Creating clear career paths for employees is crucial to keeping them engaged. With 65 percent of our staff working from home, it's important to be adaptable and develop strong relationship-building skills to stay connected.

OLSON: It seems to me, the younger workforce, at least in our industry, is really interested in making more money and working remotely.

CHYBOWSKI: There's no silver bullet. However, one of the ways we're investing in our team is through our mentorship program that almost 50 percent of the bank participates in. We also prioritize transparency, ensuring that everyone, from leadership to our front-line team members,

understands our goals and how their role contributes to our success.

OLSON: Listening to all three of you, the common theme is understanding and appreciating what your values are as a community bank. At the end of the day, you take your company's value propositions with what the younger generation of employees are looking for and then try to marry the two. For example, consider the importance of retaining younger, working parents when they know there are options that will allow them to work remotely and basically trade in the commute time for time with their children and family. If you're not going to offer that on at least a limited basis, those employees are likely going to go elsewhere.

KOENING: Any other key takeaways you think would be helpful for readers?

FAUST: Despite consolidation and fewer banks, it's still a vibrant town for small business owners to get great advice and build strong relationships.

REPORTER: We were talking about M&A; have you seen any market entries from banks that aren't here, coming here as a result of that?

CHYBOWSKI: There's always a push from the Dakotas to get to the Twin Cities. I think there's some from Wisconsin that want to get over here, too. When you see some of these big shops like JP Morgan putting branches in the Twin Cities, obviously it's desirable. It's the 15th largest MSA in the US by deposits and population. There's a desire for the employer diversity and demographics.

OLSON: South Dakota in particular, especially Sioux Falls, has more business right now than they have professionals to service the business, and so they're already offloading a bunch of work to Minneapolis and Chicago and even Milwaukee.

CHYBOWSKI: This administration has prioritized a reemergence of de novo banks, and I wouldn't be surprised if we saw more de novos over the next five years. I think they're going to make it easier for de novos to form, not only in the Twin Cities, but nationally.

FAUST: The community bank game is a long game.

A Partner In Business. An Ally For Life.

We build the relationship that helps you build your business.

Your business is unique—and MidCountry Bank knows that for businesses that need personalized, customized solutions, bigger isn't always better. Our Business Banking Experts are locals who do business right here. They will respond to your needs, advocate for you, and tailor solutions to help you succeed.

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