

# CVB Newsletter

CEDAR VALLEY  
BANKSHARES, LTD.

October 23, 2024



## Welcome Back!

Summer has come to an end, and we have recorded many volunteer hours between parades, county fairs, and small-town events. We are proud to be so involved in the communities we serve and continue to encourage our employees to do the same in their own. This has been proven by how many hours we've logged, both by the bank and individual employees.

In bank news, we've repaired the basement from July's flooding and have been able to move the Service Center back to the lower level. They are up and running without missing a beat! Amy Wilson and Selena Jensen have been hitting the pavement, presenting Fraud Talks to many communities and service clubs. In addition, Bobbi Spainhower has been stepping up as an active Investments Advisor.

With autumn upon us, we are excited to see a lot of our Ag customers in the fields! Harvest sacks were made and are currently being distributed by lenders to our farmers in the field. The upcoming renewal season will give us a chance to see our customers and learn more about their operations, and plan for the 2025 growing season.

It's hard to believe that this quarter is the last for the year, and the holiday season is just around the corner! We are testing a shareholder information portal so keep watch for those updates!

See inside for more information of these exciting installments!

## CVB Snapshot

Assets		Liabilities	
Cash	80,365	Debt	0
First Security Bank	49,202,785	Other Liabilities	0
Four Keys, LLC	176,548	Capital Stock	2,912,720
Bankers Bank of Madison	793,800	Surplus	7,321,875
Other Investments	6,040	Undivided Profits	49,189,308
		Bond Appreciation	(9,164,365)
<b>Total</b>	<b>50,259,538</b>	<b>Total</b>	<b>50,259,538</b>

Income		Expenses	
Dividends- First Security	250,000	Director Fees	108,000
Dividends- Other Investments	950	Interest Expense	132,577
Undistributed Earnings- First Security	977,221	Misc. Expense	49,429
Unrealized Income- Bankers Bank Stock	41,640	<b>Expense</b>	<b>290,006</b>
Unrealized Loss- Four Keys, LLC	(13,026)		
Interest Income	918		
<b>Gross Income</b>	<b>1,257,703</b>	<b>Net Income</b>	<b>967,697</b>

September of:	2022	2023	Q3 24
Book Value/Share	154.12	141.51	172.55
EPS	10.19	-3.54	3.32





The 3rd Quarter was marked by significant progress for Cedar Valley Bankshares with the successful sale of the Union House by Four Keys, LLC in September. The proceeds of the sale were enough to eliminate the holding company debt of \$2.1 million and leave about \$175 thousand in cash in Four Keys to be used to pay any residual expenses before the company is closed down now that its primary asset has been liquidated. This will also reduce holding company interest expense by about \$15 thousand per month and eliminate further depreciation expense on the building.

Net Earnings of CVB at the end of the quarter were at \$3.32 per share, an increase of \$.30 from June 30. Book value per share improved significantly to \$172.55 from \$159.76 at the end of the 2nd quarter, primarily due to a \$12.50 per share improvement in the market valuation of the investment portfolio of First Security Bank. This improvement is partially due to maturities of lower-valued investments leaving the portfolio but also due to favorable changes in interest rates that drive the valuation of the investments. This will continue to trend upward over time as lower-yielding investments mature and market-rate investments are purchased.

Net Income from First Security Bank has contributed \$1.227 million to Cedar Valley Bankshares through the 3rd Quarter. Of this, \$1.075 million was from the reversal of the Provision for Loan Loss as the Bank's overall credit quality has improved greatly. In the next quarter weak commodity prices will require the Bank to contribute to the provision in to hedge against weakening agricultural loans while commodity prices are below the break-even point to turn a profit. This is a regular cycle in the agricultural industry that well-managed producers and lenders are familiar with and are ready to battle.

Now that the Union House sale is completed, we will recognize a taxable loss for 2024 that will affect shareholders' personal tax liability. While we won't have final numbers to share until the tax return is completed, there will be enough loss to preclude our shareholders from needing any distribution from Cedar Valley Bankshares to fund any tax liability for their investment. As for regular dividends to shareholders, we still need to focus on building capital, ensuring that the Provision for Loan Loss is fully-funded to offset credit risk, and improve earnings through lending. We do anticipate some increase in loan demand from our Ag customers as they deplete their cash and increase their need for financing. In economies such as this there are always opportunities to develop new lending relationships with new borrowers as other lenders become stressed.

## Financial



## Performance

**Focus on Financial Performance:**

We have been focusing on improving our financial performance to restore our dividends, build capital to position First Security Bank and Trust for future growth. To achieve this, we are focusing our efforts on the following:

- Concentrating on our competitive advantages. These include Ag and Commercial lending within our footprint where our reputation, expertise, and relationships work to our advantage. Knowing our customers, local economy and being able to promote the banks services and products within our footprint allows us to achieve the most return for our efforts.
- Improving our processes, including employing technology to improve efficiency, reduce lending decisioning time, and improving credit quality, while at the same time improving the customer experience. This will also improve employee morale and customer satisfaction as lenders are able to concentrate their efforts on building relationships, deepen their understanding of customer needs and ensuring increased referrals and having a larger share of our customers' banking business.
- The higher level of service is also anticipated to increase our market share over time. While we already have a substantial portion of market share within our footprint, there is still more to be gained in the communities and trade areas that we serve.
- In 2023 we reserved for future potential losses on some of our commercial real estate loans. We have been working with the borrowers to reduce the risk of loss and these efforts have shown significant success. In some instances, the borrowers have been able to sell the properties and pay off their loans. In other instances, borrowers have improved the quality of their properties to ensure that rental revenues will be sufficient to service the payments.

By succeeding with the above, we are improving our results and are moving closer to our goal of restoring our dividends, delivering competitive returns to shareholders, and improving service to the customers and communities we serve.



### Agriculture Outlook:

Over the past couple of years corn and soybean prices have been declining. We anticipate that for most growers, 2024 prices will be lower than the cost to produce. This will be mitigated to some extent by crop yields coming in substantially higher than recent averages due to factors including beneficial rainfall that ended a drought during the peak part of the growing season. We will know more as harvest finishes in the next few weeks.

There are several causes of lower grain prices in 2024 including but not limited to:

- Increased production from competing nations, especially Brazil which has increased supply of both corn and soybeans in the international markets
- Reduced demand from China as they have turned to Brazil for more of their supply. Brazil is a lower cost producer and a decline in the value of their currency has provided even more advantage
- Increased costs of shipping grain to ports along the Gulf Coast via Mississippi River barges further raises the cost of exported grain, further giving other suppliers a cost advantage. The drought along the Ohio River basin has resulted in low water levels which have substantially reduced the ability to utilize the river to ship cargo such as grain.

Our outlook for 2025 is that again market prices have a significant likelihood of being lower than production costs, resulting in operating losses. This situation could improve however given any one of several potential developments including any worsening of the drought currently occurring in parts of Brazil, return to normal levels of the Mississippi River, increased demand for grain from China etc.

The following table shows the economics of corn and soybean production if prices and input costs remain at current levels:

	Est. Cost/Acre	Avg IA Yield/Acre	Cost/ Bushel	Price/Bushel (Oct 18, '24)	Loss/ Bushel	Loss/ 1,000 Acres
Corn	\$1,050	200	\$5.25	\$4.05	\$1.20	\$72,000
Soybeans	\$790	60	\$13.17	\$9.87	\$3.30	\$198,000

Granted, the above table does look disheartening. However, there are several positives to consider. One is that corn and soybeans are commodities that have demand in the market. Low prices increase demand and result in higher prices. Similarly, Iowa has good economics for growing corn compared to other states. Our yields per acre are higher which reduces the cost per bushel versus competing producers in the U.S. So, we fully believe that the economics will improve going forward with input costs potentially declining while market prices will likely increase in the future.

Marginal producers, particularly in other states with less favorable growing conditions will switch to other uses for their land (i.e. cattle, wheat, cotton, etc.), that will result in better returns for them which will reduce supply and result in increased prices for corn and soybeans.

We anticipate that the current situation will have an impact on our lending results. There may be some borrowers that we will need to work with to avoid credit issues as operating losses deplete their working capital. In previous downturns we have gained experience doing this and most of our customers have weathered downturns and have remained viable throughout several agriculture cycles.

This will potentially be mitigated by many producers having multiple streams of income (cattle, hogs, seed sales, off farm jobs etc.). Also, most producers that own land have substantial equity that can be pledged as security for loans.

We have already seen a decline in loan demand for equipment as farmers are more willing to repair rather than replace their existing equipment. Ag real estate sales have slowed but prices have yet to decline in any noticeable way. We have seen an increase in requests for higher Operating Lines of Credit as margins have narrowed.

We have increased our diligence around the underwriting of new loans and renewals of Lines of Credit. One of our competitive advantages is our ability to work with borrowers in difficult times. Many other lenders, especially government sponsored enterprises such as Farm Credit have very limited abilities to work with borrowers and must follow rigid rules when a borrower runs into trouble.

We have increased our diligence around the underwriting of new loans and renewals of Lines of Credit. One of our competitive advantages is our ability to work with borrowers in difficult times. Many other lenders, especially government sponsored enterprises such as Farm Credit have very limited abilities to work with borrowers and must follow rigid rules when a borrower runs into trouble.



As we have flexibility and experience in working with borrowers through downturns, the current situation gives us the opportunity to capture market share and to increase our profitability.

All in, we remain highly optimistic about the future and our ability to leverage the current situation to our advantage and to improve the financial lives of our customers and communities.



### Financial Results:

As mentioned previously, the bank has benefited this year by working with customers to reduce credit risk and as a result, we have been able to reverse some of the reserves we set aside in 2023 against future potential losses. We have also been focused on improving Operating Income and the interest rate environment that had been a significant headwind through 2023 and early 2024 has improved.

We anticipate that the interest rate environment will continue to improve. This will allow us to decrease our funding costs. Further, a lower rate environment will make some loan types, particularly real estate of various types, more appealing and increase demand. As mentioned previously, the Ag environment is anticipated to increase demand for and use of Operating Lines of Credit.

The following table shows financial results through the first three quarter for 2022 through 2024 for First Security Bank and Trust:

Results though 3rd Qtr.	2022	2023	2024
Net Income	\$3.6 Million	-\$0.7 Million	\$1.2 Million
Return on Assets	.78%	-.15%	.30%
Return on Equity	8.98%	-2.16%	3.64%



Looking forward to 2025 we are focused on improving our results and will do so by continuing with the strategies that are mentioned above including:

- Leveraging our competitive advantage in Ag and Commercial lending within our footprint,
- Deepening relationships with existing customers and increasing market share within our footprint,
- Improving our processes to improve our customer experience, improve decision times, and increase morale in our lending and credit teams,
- Continuing to improve our credit risk management processes,
- Taking full advantage of the improving interest rate environment to improve our operating earnings.

By executing the above, we will restore the dividend, build capital to position the bank for growth, and achieve the goal of achieving financial results that are in line with the top quartile of banks in Iowa.

*Brad Miller*  
President/CEO

*Kurt Herbrechtsmeyer*  
FSBT Chairman of the Board







## **Investments with Bobbi: First Introductions**

First Security's Bobbi Spainhower Achieves Accredited Asset Management Specialist Designation

First Security is happy to announce Bobbi Spainhower has recently achieved the Accredited Asset Management Specialist, (AAMST<sup>TM</sup>) designation from the College of Financial Planning. With this achievement, she brings an advanced knowledge base to her daily work, allowing her to better serve her clients.

To earn the AAMST<sup>TM</sup> certification, Spainhower completed the 10-module program covering a multitude of topics in asset management and investment strategies. She then passed the final exam. Expanded knowledge in these areas will allow Spainhower to evaluate clients' current assets and help identify investment opportunities to meet their goals.

"I would like to congratulate Bobbi for earning the Accredited Asset Management Specialist designation from the College of Financial Planning," says Dave Jarvill, Investment Services Manager. "The knowledge learned from the AAMST<sup>TM</sup> course of study will equip Bobbi with the knowledge to help clients reach their financial goals and objectives."

Spainhower, an Osaic Institutions Investment Advisor Representative, joined First Security's Wealth Management team in 2013. She is a member of the National Association of Insurance and Financial Advisors, has her FINRA Series 7 and FINRA Series 66 licenses, and Life Underwriter Training Council Fellow (LUTCF®®), demonstrating her expertise in understanding life, disability, and long-term care insurance through the College of Financial Planning.

First Security Bank & Trust has locations across North Central Iowa and headquarters in Charles City.

*\*Investments and insurance products and services are offered through OSAIC INSTITUTIONS, INC. Member FINRA/SIPC First Security Investment Services is a trade name of First Security Bank & Trust. Osaic and First Security Bank & Trust are not affiliated. Not a Deposit. Not Insured by Any Federal Government Agency. Not FDIC Insured. Not Guaranteed by the Bank. May Go Down in Value.*

Keep an eye out in future issues for investment tips from Bobbi!



## **Fraud Talks with Amy & Selena: Community Exposure & Customer Fulfillment**

In the last few months, our own employees, Amy Wilson and Selena Jensen (Operations Manager and Retail Advisor Supervisor, respectively) have been going town-to-town presenting Fraud Talks. Several towns and service organizations have asked them to present to their members and communities to discuss the ways in which fraudsters try to get your information, how you can prevent it, and how to stop it if it happens to you.

So far, they have presented at the following and have several more scheduled all the way through March 2025:

Lions Club Charles City  
Senior Center Charles City  
Senior Center Manly  
Two sessions in Hampton at the Chamber with Pat the Computer Guy  
Rockford at the Community Room  
Swaledale Women's Club  
Riceville Kiwanis Club

We love to hear when there are real differences being made within our own communities! We were informed that their presentation actually stopped a customer from responding to a suspicious text, because of the Fraud Talk he was at, and has compelled customers to protect their money!

Kathy Steere, Branch Manager from Nora Springs sent the following to Amy and Selena: *"I wanted to send a quick note letting you know that your Fraud Talk is making an impact. We just had a customer come into the Rockford office questioning some text messages he had received – mentioned he had heard about things like this at the talk across the street. Referring to your Fraud Talk. Keep up the good work – it's making a difference because it was definitely fraud."*

In addition, just a couple days after a Fraud Talk in Riceville, a customer came in to open a few CD's, saying he wanted to protect some of his funds after listening to the talk.

If you would like to learn more about Fraud Talk, you can visit our YouTube channel by clicking this link: [Fraud Talk: Red Flags](#)



## Volunteers

At First Security, we pride ourselves in our volunteerism and are always looking for ways to help the communities we live in. We track both our employee's volunteer hours, and their participation in the Community Events Program, which includes walking in parades, or working at town events and county fairs.

This year, hours that employees submitted as anticipated volunteer activity for 2024 was 4,718 hours of volunteering. We had 8 people with over 200 hours of volunteer time! To be clear- these are efforts on employees' own time. For the Community Events Program, we had 273 shifts for over 20 events! Thank you to our employees who also prioritize volunteering to better serve our communities!

We are also starting a video series about volunteering. You can catch the first one here: [Making Home a Little Sweeter- Community Involvement Recap](#)

---

## First Security Foundation

A look at the most recent donations presented to the  
First Security Foundation

Charles City Police Department looking for tactical gear	\$4,000
Mitchell County Regional Health in Riceville. They are opening a new local clinic. It was decided that the initial donation would come at their opening, and they were encouraged to apply again after a year of operation.	\$10,000 pledged
Dumont Legion Post 360. Wanting to take an abandoned lot in town and turn it into a Veteran's memorial. It was decided to be donated on the Bank level.	\$5,000 was donated by the bank

## Quote of the Quarter:



**I walk slowly, but I never walk backwards.**



**-Abraham Lincoln**



### **What's next? We want to hear from you!**

We need your feedback!

Copy and paste into your browser:

We want to know what you'd like to hear more about from us. Is it more financials? Bank vs CVB information? Board member spotlights?

**<https://forms.monday.com/forms/778ef54ca71b2bfa458641f13c2c914d?r=use1>**

QR Code:

Please use the link or QR Code to take a short survey and tell us what you'd like to see in future newsletters!



*Thank you for reading!*

### **QUESTIONS? CONTACT US**

**KURT  
HERBRECHTSMEYER**

CVB TREASURER,  
FSBT BOARD CHAIR

**BRAD  
MILLER**

PRESIDENT/CEO, FSBT

**HANNAH  
CHAMBERS**

EXECUTIVE ASSISTANT

641-257-1238  
kherby@1stsecurity.bank

641-257-1237  
bmiller@1stsecurity.bank

641-257-1236  
hchambers@1stsecurity.bank