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County Bancorp, Inc.
Form 10-K
March 23, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2015

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF
1934

For the transition period from _____ to _____

Commission file number 001-36808

COUNTY BANCORP, INC.

(Exact name of registrant as specified in its charter)

Wisconsin
(State or other jurisdiction of incorporation or organization) 39-1850431
(I.R.S. Employer Identification No.)

860 N. Rapids Road, Manitowoc, WI
(Address of principal executive offices) 54221
(Zip Code)

Registrant's telephone number, including area code: (920) 686-9998

Securities registered pursuant to Section 12(b) of the Act:

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| Title of each class | Name of each exchange on which registered |
|--|---|
| Common Stock, \$0.01 par value per share | The NASDAQ Global Market LLC |

Securities registered pursuant to Section 12(g) of the Act

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K .

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.)
Yes No

The aggregate market value of the common equity held by non-affiliates computed by reference to the closing price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter – \$43,250,099

As of March 23, 2016, 5,786,701 shares of common stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

The registrant intends to file an amendment to this Annual Report on Form 10-K not later than 120 days after the close of the fiscal year ended December 31, 2015. Portions of such amendment are incorporated by reference into Part III of this Annual Report on Form 10-K.

2015 FORM 10-K

TABLE OF CONTENTS

| | DESCRIPTION | PAGE NO. |
|-----------------|---|-------------|
| <u>PART I</u> | | |
| ITEM 1. | <u>Business</u> | 3 |
| ITEM | | |
| 1A. | <u>Risk Factors</u> | 18 |
| ITEM | | |
| 1B. | <u>Unresolved Staff Comments</u> | 28 |
| ITEM 2. | <u>Properties</u> | 28 |
| ITEM 3. | <u>Legal Proceedings</u> | 28 |
| ITEM 4. | <u>Mine Safety Disclosures</u> | 28 |
| <u>PART II</u> | | |
| ITEM 5. | <u>Market for Registrant's Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities</u> | 28 |
| ITEM 6. | <u>Selected Financial Data</u> | 30 |
| ITEM 7. | <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u> | 31 |
| ITEM | | |
| 7A. | <u>Quantitative and Qualitative Disclosures about Market Risk</u> | 53 |
| ITEM 8. | <u>Financial Statements and Supplementary Data</u> | 54 |
| ITEM 9. | <u>Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u> | 92 |
| ITEM | <u>Controls and Procedures</u> | 92 |
| 9A | | |
| ITEM 9B | <u>Other Information</u> | 92 |
| <u>PART III</u> | | |
| ITEM | <u>Directors, Executive Officers and Corporate Governance</u> | 93 |
| 10. | | |
| ITEM | <u>Executive Compensation</u> | 94 |
| 11. | | |
| ITEM | <u>Security Ownership of Certain Beneficial Owners and Management and Related Shareholder Matters</u> | 94 |
| 12. | | |
| ITEM | <u>Certain Relationships and Related Transactions, and Director Independence</u> | 95 |
| 13. | | |
| ITEM | <u>Principal Accountant Fees and Services</u> | 95 |
| 14. | | |
| <u>PART IV</u> | | |
| ITEM | <u>Exhibits and Financial Statement Schedules</u> | 95 |
| 15. | | |
| | <u>Signatures</u> | 95 |

PART I

ITEM 1. BUSINESS

General

County Bancorp, Inc. (“we,” “us,” “our” or the “Company”) is a Wisconsin corporation founded in May 1996 and is registered as a bank holding company under the Bank Holding Company Act of 1956, as amended (the “BHCA”). Our primary activities consist of holding the stock of our wholly-owned subsidiary bank, Investors Community Bank (the “Bank”), and providing a wide range of banking and related business activities through the Bank and our other subsidiaries. At December 31, 2015, we had total assets of approximately \$885 million. For additional financial information, see our Consolidated Financial Statements at Part II, Item 8 of this Form 10-K.

Investors Community Bank

Investors Community Bank is a Wisconsin state bank originally chartered in 1997, and headquartered in Manitowoc, Wisconsin. The Bank is an independent community bank offering a full range of financial services focusing on the needs of agricultural businesses statewide, with a primary focus on dairy-related lending with lending relationships in 61 of Wisconsin’s 72 counties. We also serve business and retail customers throughout Wisconsin but primarily are focused in northeastern and central Wisconsin. Our customers are served from our full-service branches in Manitowoc and Stevens Point, and our loan production offices in Darlington, Eau Claire, Fond du Lac, and Sheboygan.

Subsidiaries

In addition to the Bank, we have three wholly-owned subsidiaries, County Bancorp Statutory Trust II and County Bancorp Statutory Trust III, which are Delaware statutory trusts, and County Acquisition LLC, which is a Wisconsin limited liability company formed solely to facilitate the merger with Fox River Valley Bancorp, Inc., as described in more detail below. The Bank is the sole shareholder of ICB Investments Corp, a wholly-owned Nevada subsidiary, and is the sole member of Investor Insurance Services, LLC and ABS 1, LLC, which are both Wisconsin limited liability companies.

Merger Transaction

On November 19, 2015, we entered into a merger agreement with Fox River Valley Bancorp, Inc. (“Fox River Valley”), a Wisconsin corporation, pursuant to which Fox River Valley will merge with and into County Acquisition LLC. In connection with and immediately following the merger, The Business Bank, a Wisconsin-chartered bank and wholly-owned subsidiary of Fox River Valley, will merge with and into the Bank. The merger is contingent upon the approval of Fox River Valley’s shareholders, our regulators and certain customary closing conditions. The corporate headquarters of the combined company will be in Manitowoc, Wisconsin. Subject to our receipt of the required approvals, the merger is expected to be completed in the second quarter of 2016. For additional information on this proposed merger, see Note 2. “Acquisitions” to our consolidated financial statements.

Corporate Governance Matters

We maintain a website at www.investorscommunitybank.com. We make available through the Investor Relations link on that website, free of charge, copies of our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to those reports, as soon as reasonably practicable after we electronically file those materials with, or furnish them to, the Securities and Exchange Commission (“SEC”). Investors

can read and copy any materials we file with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549, on official business days during the hours of 10:00 am to 3:00 pm. Investors can obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains a website at www.sec.gov that contains reports, proxy statements and other information regarding SEC registrants.

Market

Our agricultural banking business, which is primarily dairy-related, extends throughout Wisconsin, with lending relationships in 61 of the state's 72 counties as of December 31, 2015. We also serve business and retail customers throughout Wisconsin with a focus on northeastern and central Wisconsin.

The economy in Wisconsin represents a diverse range of industries. According to the U.S. Census Bureau, manufacturing, trade, agriculture, professional and business services, finance and insurance, and government industries accounted for approximately 50% of employment in the state in 2012. According to the Bureau of Economic Analysis, the broader Wisconsin economy is growing at a pace on par with the United States as a whole, and the overall unemployment rate has fallen below the national rate of unemployment.

Agriculture, as defined by the Bureau of Economic Analysis, has grown faster than the U.S. economy as a whole, with real agricultural GDP growing at a compound annual rate of 3.4% nationally and 8.4% in Wisconsin from 2009 to 2013, compared to a compounded annual growth rate of 2.0% for the overall economy during the same period. Further, according to a 2012 report from the University of Wisconsin-Madison, total revenue for the agricultural industry in Wisconsin was just over \$59 billion in 2007 and had grown to \$88.3 billion for 2012, representing approximately a 49% increase.

Dairy-related business lending has proven to be a source of stability and steady growth for both the Bank and the state of Wisconsin. The economic impact of the dairy industry on Wisconsin is significant. According to a 2012 report from the University of Wisconsin-Madison, as part of the overall Wisconsin agricultural economy, the dairy sector contributed \$43.4 billion of revenue to the state's economy. Steady growth in cheese and yogurt consumption has led to an increase of 19.2% in total dairy utilization from 2003 to 2013. In 2012, Wisconsin ranked first in total cheese production, accounting for 25.6% of U.S. output, and second in milk production with 13.6% of total output.

We believe increasing demand for agricultural products and changing agricultural industry dynamics will continue to drive the need for agricultural banking services in our markets while the broader business banking environment in Wisconsin continues to grow. We believe the Bank is well positioned to continue serving the banking needs of agricultural and business banking customers throughout Wisconsin.

Our Products and Services

The Bank provides a wide range of consumer and commercial banking services to individuals, businesses, and industries. The basic services offered by the Bank include: demand interest bearing and noninterest bearing accounts, money market deposit accounts, NOW accounts, time deposits, remote merchant deposit capture, internet banking, cash management services, safe deposit services, credit cards, debit cards, direct deposits, notary services, night depository, cashiers' checks, drive-in tellers, banking by mail, and a full range of consumer loans, both collateralized and uncollateralized. In addition, the Bank makes secured and unsecured commercial loans as well as loans secured by residential and commercial real estate, and issues stand-by letters of credit. The Bank provides automated teller machine, or ATM, cards and is a member of the Pulse and Cirrus ATM networks thereby enabling customers to utilize the convenience of ATM access nationwide and internationally.

The revenues of the Bank are primarily derived from interest on loans and fees received in connection with loans, interest and dividends on its investment securities, and non-interest income primarily generated from loan sales and loan servicing rights. Most of the Bank's investment portfolio is held in its wholly owned subsidiary of ICB Investment Corp. The principal sources of funds for the Bank's lending activities are its deposits (primarily consumer deposits and brokered deposits), loan repayments, and income on and proceeds from the sale of investment securities. The Bank's principal expenses are interest paid on deposits and operating and general administrative expenses. The Bank also generates non-interest income from Investors Insurance Services, LLC, which is a wholly-owned subsidiary of the Bank. Investors Insurance Services, LLC, provides crop insurance and milk margin products to the agricultural sector of Wisconsin.

As is the case with financial institutions generally, our operations are materially and significantly influenced by general economic conditions and by related monetary and fiscal policies of financial institution regulatory agencies, including the Board of Governors of the Federal Reserve System (the "Federal Reserve"), the Federal Deposit Insurance Corporation ("FDIC") and the Wisconsin Department of Financial Institutions ("WDFI") Banking Division. Deposit flows and costs of funds are influenced by interest rates on competing investments and general market interest rates. Lending activities are affected by the demand for financing of real estate and other types of loans, which in turn is affected by the interest rates at which such financing may be offered and other factors affecting local demand and availability of funds. The Bank faces strong competition in the attraction of deposits and in the origination of loans.

For additional information about the competition we face, see the section of this Form 10-K entitled “Business—Competition.”

Lending Activities

Loans

A significant source of our revenues is the interest earned on the Bank's loan portfolio. At December 31, 2015, our total assets were \$884.9 million and our total loans were \$748.2 million, or 84.6% of total assets. At December 31, 2014, our total assets were \$771.8 million and our total loans were \$648.1 million, or 84.0% of total assets. At December 31, 2013, our total assets were \$757.8 million and our total loans were \$569.1 million, or 75.1% of total assets. The increase in total loans from December 31, 2014 to December 31, 2015, was \$100.1 million (15.4%), and from December 31, 2013 to December 31, 2014, total loans increased \$79.0 million (13.9%). For the periods indicated below, the net change in total loans (excluding the allowance for loan losses) was as follows:

| | As of December 31, | | |
|--|------------------------|-----------|-----------|
| | 2015 | 2014 | 2013 |
| | (dollars in thousands) | | |
| Total loans: | | | |
| Balance, beginning of period | \$648,122 | \$569,138 | \$613,490 |
| Loan originations, net of repayments | 170,144 | 96,117 | 38,269 |
| Less: Loans sold, net of repayments | (66,640) | (15,165) | (51,154) |
| Less: Loans charged-off, net | (1,907) | (647) | (6,438) |
| Less: Transfers to other real estate owned | (1,530) | (1,321) | (25,029) |
| Balance, end of period | \$748,189 | \$648,122 | \$569,138 |

For more information about our loan portfolio, see the section of this Form 10-K entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations—Comparison of Financial Condition at December 31, 2015, 2014 and 2013—Net Loans."

Lending activities are conducted pursuant to a written policy adopted by the Bank. Each loan officer has defined lending authority beyond which loans, depending upon their type and size, must be reviewed and approved by the management loan committee or the board loan committee, depending on the size and risk classification of the loan.

At December 31, 2015 and the previous four years the composition of our loan portfolio was as follows:

| | 2015 | | 2014 | | 2013 | | 2012 | | 2011 | |
|--------------------------------|------------------------|---------|-----------|---------|-----------|---------|-----------|---------|-----------|---------|
| | Amount | Percent | Amount | Percent | Amount | Percent | Amount | Percent | Amount | Percent |
| | (dollars in thousands) | | | | | | | | | |
| Agricultural loans | \$496,620 | 66.3% | \$415,164 | 64.1% | \$375,240 | 65.9% | \$381,893 | 62.3% | \$317,486 | 55.2% |
| Commercial real estate loans | 162,741 | 21.7% | 137,517 | 21.2% | 102,645 | 18.0% | 123,499 | 20.1% | 134,791 | 23.4% |
| Commercial loans | 51,078 | 6.8% | 53,745 | 8.3% | 51,008 | 9.0% | 57,928 | 9.4% | 55,560 | 9.7% |
| Residential real estate loans | 34,451 | 4.6% | 40,885 | 6.3% | 39,901 | 7.0% | 49,050 | 8.0% | 66,252 | 11.5% |
| Installment and consumer other | 101 | 0.01% | 811 | 0.1% | 344 | 0.1% | 1,120 | 0.2% | 973 | 0.2% |
| Total loans | \$748,089 | 100.0% | \$648,122 | 100.0% | \$569,138 | 100.0% | \$613,490 | 100.0% | \$575,062 | 100.0% |

| | | | | | |
|------------------------------------|-----------|-----------|-----------|-----------|-----------|
| Less: Allowance for loan losses | Ø10,405 | (10,603) | (10,495) | (12,521) | (9,090) |
| Net loans | \$737,784 | \$637,519 | \$558,643 | \$600,969 | \$565,972 |

Loan Portfolio Concentrations

Our agricultural loan portfolio, while heavily dependent on the dairy industry, is the beneficiary of a number of mitigating factors to this concentration risk. First, our farm customers are diversified geographically throughout the state of Wisconsin, which we believe helps mitigate the weather-related risk impacting feed availability and cost. Secondly, the U.S. Department of Agriculture (the “USDA”) provides government support for a number of insurance type products that dairy producers can purchase, which we believe substantially mitigate weather and pricing risks for crops and pricing risks for milk. The availability of these types of products in addition to the ability to use the futures markets to hedge both milk price and feed cost brings some additional stability and predictability to the cash flow of farmers.

We originate and maintain large credit relationships with a number of customers in the ordinary course of our business. We have established a formal, internal house lending limit on loans to one borrower of \$8 million, which is significantly lower than our legal

lending limit of approximately \$21 million as of December 31, 2015. Exceptions to this internal house limit may be made in the case of particularly strong credits. As of December 31, 2015, only nine relationships exceeded our internal house lending limit with total combined credit risk exposure of \$99.1 million, or 79%, of total risk-based capital, and only seven of these relationships exceeded \$10 million, with the largest being \$15.7 million.

Loan Underwriting

Management seeks to maintain a high quality of loans through sound underwriting and lending practices. We believe an important measurement for monitoring overall credit quality of our loan portfolio is the ratio of non-performing assets to total assets as nonperforming loans may ultimately progress to other real estate owned (“OREO”). Accordingly, the initial underwriting of loans is vital. Our non-performing assets to total assets as of December 31, 2015, December 31, 2014, and 2013 were 3.10%, 2.42%, and 2.92%, respectively. We have customized our loan underwriting to reflect the risks that are specific to each product type as described below.

Agricultural Lending. Our agricultural banking team consists of bankers, most of whom grew up on farms in Wisconsin, which provides a solid understanding of the nuances of the industry. As of the date of this filing, we have 11 agricultural banking officers driving the relationships with our customers, as well as three crop insurance sales representatives. Our philosophy is to bring the Bank to the customer, and most contacts are made on the farm. The deep relationships our team has with our agricultural customers, and the value each team member provides given his or her strong agricultural roots, creates a barrier to entry for our competitors. We believe this regular personal contact with our customers provides a high level of service and allows our bankers to monitor our credits more effectively.

Our relationships with our agricultural customers typically involve their entire primary banking needs. We lend money to our customers for short term needs, such as planting crops or buying feed, as needed. We also provide intermediate-term loans to fund cattle or equipment needs, as well as longer-term real estate loans to provide funds to purchase real estate or improve existing real estate. Collateral for these loans will typically involve cross collateralization of all of a farm’s assets, and the Bank will be in a primary lien position. We apply a consistent credit philosophy when underwriting agricultural loans, which focuses on repayment of credit facilities from current and historical cash flow analysis, both cash and accrual. Other factors considered in granting credit are management capability, collateral quality and adequacy, and balance sheet leverage.

Commercial Lending. Our commercial and industrial loans (“commercial loans”) are offered to established businesses by business bankers who have extensive experience in making commercial loans. Our commercial loan portfolio is comprised of conventional term loans, lines of credit and government guaranteed loans, primarily Small Business Administration (“SBA”) loans. These loans have either adjustable or fixed rates typically with terms of five years or less, although terms are generally longer with SBA guarantees. Commercial loans are underwritten on the basis of the borrower’s ability to make repayment for the cash flow of its business and generally are collateralized by business assets, such as accounts receivable, equipment and inventory, as well as personal guarantees of the principals. The availability of funds for the repayment of commercial loans is substantially dependent on the success of the business itself, which is subject to adverse economic conditions. Commercial loans often involve larger loan balances to single borrowers or a related group of borrowers, resulting in a more concentrated loan portfolio.

Commercial real estate mortgage loans (“CRE loans”) in our portfolio consist of fixed and adjustable interest rate loans that were originated at prevailing market interest rates. Our policy has been to originate CRE loans predominantly in our primary market area. CRE loans consist primarily of multi-family investment properties and investment retail, office, mini-storage and warehouse loans. These loans are generally underwritten to a maximum loan-to-value of 75% of the lower of appraised value or purchase price of the property securing the loan. In making CRE loans, we primarily consider the net operating income generated by the real estate to support the debt service, the financial resources and income level and managerial expertise of the borrower, the marketability of the collateral and our

lending experience with the borrower. CRE loans entail significant additional risks compared to residential mortgage loans. The collateral underlying CRE loans may depreciate over time, cannot be appraised with as much precision as residential real estate, and may fluctuate in value based on the success of the tenants.

Consumer Lending. While not a primary focus of ours, we do provide consumer and personal loans on a collateralized and non-collateralized basis. These loans are most often collateralized by primary residences, secondary residences, automobiles and recreational vehicles. Consumer loans are priced at prevailing market rates and are made to the individuals responsible for making the scheduled payments. Consumer and personal loans generally have a term of five years or less, with amortizations that match the useful life of the asset(s) being financed. Consumer loans represents less than 0.1% of our overall loan portfolio.

Concentrations. Loan concentrations are defined as amounts loaned to multiple borrowers engaged in similar activities that could cause them to be similarly impacted by economic or other conditions. We, on a routine basis, monitor these concentrations in order to consider adjustments in our lending practices to reflect economic conditions, loan to deposit ratios, and industry trends. As of December 31, 2015, 2014, and 2013, except for agricultural real estate and agricultural production loans, which together comprised

approximately 67%, 64%, and 66%, respectively, of our loan portfolio on each of those dates, no concentration of loans within any portfolio category to any group of borrowers engaged in similar activities or in a similar business exceeded 25% of total loans.

The loan committee of the board of directors of the Bank concentrates its efforts and resources, and that of its senior management and lending officers, on loan review and underwriting procedures. Internal controls include ongoing reviews of loans made to monitor documentation and the existence and valuations of collateral. In addition, management of the Bank has established a review process with the objective of identifying, evaluating, and initiating necessary corrective action for marginal loans. The goal of the loan review process is to address classified and non-performing loans as early as possible.

For additional information concerning our risk management, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Risk Management.”

Loan Servicing

As part of our growth and risk management strategy, we have actively developed a loan participation and loan sales network. Our ability to sell loan participations and whole loans benefits us by freeing up capital and funding to lend to new customers, but because we continue to service these loans, we are able to maintain a relationship with the customer. Additionally, we typically earn a gain on the sale of loans sold and receive a servicing fee that generally exceeds the cost of administering the loan and maintaining the customer relationship.

The following table shows the total portfolio of loans and loans serviced as of the dates indicated below:

| | As of December 31, | | |
|---|------------------------|-------------|-----------|
| | 2015 | 2014 | 2013 |
| | (dollars in thousands) | | |
| Total loans: | \$748,189 | \$648,122 | \$569,138 |
| Less: Non-qualified loan sales included below | (3,945) | (8,894) | (14,169) |
| Loans serviced: | | | |
| Agricultural | 480,133 | 413,933 | 382,094 |
| Commercial | 11,080 | 10,419 | 25,822 |
| Commercial real estate | 4,720 | 4,941 | 6,213 |
| Total loans serviced | 495,933 | 429,293 | 414,129 |
| Total loans and loans serviced | \$1,240,177 | \$1,068,521 | \$969,098 |

Classification of Assets

Interest on loans accrues and is credited to income based upon the principal balance outstanding. It is management’s policy to discontinue the accrual of interest income and classify a loan as nonaccrual when principal or interest is past due 90 days or more unless, in the opinion of management, the credit is well secured and in the process of collection. Loans may also be placed on nonaccrual status when, in management’s opinion, repayment is not likely to be paid in accordance with the terms of the obligation. Consumer installment loans are generally charged-off after 90 days of delinquency unless adequately collateralized and in the process of collection. Loans are not returned to accrual status until principal and interest payments are brought current and future payments appear reasonably certain. Interest accrued and unpaid at the time a loan is placed on nonaccrual status is charged against interest income.

Real estate acquired by us as a result of foreclosure or by deed in lieu of foreclosure is classified as OREO. OREO properties are recorded on the balance sheet at the lower of cost or fair value less estimated selling costs, and the estimated loss, if any, is charged to the allowance for loan losses at the time it is transferred to OREO. Further write-downs in OREO are recorded at the time management believes additional deterioration in value has occurred and are charged to non-interest expense. Our OREO has decreased significantly over the past several years as we are experiencing fewer defaults, and we have sold much of the previously recorded OREO. At December 31, 2015, December 31, 2014, and December 31, 2013, we had OREO of \$2.9 million, \$7.1 million, and \$16.1 million, respectively.

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Loans on nonaccrual status and OREO and certain other related information was as follows:

| | As of December 31, | | | | 2013 | |
|--|------------------------|---------|----------|---------|----------|----------|
| | 2015 | % of | 2014 | % of | Amount | % of |
| | Amount | Loans | Amount | Loans | Amount | Loans |
| | (dollars in thousands) | | | | | |
| Total loan on nonaccrual status | \$24,579 | 3.29 % | \$11,555 | 1.78 % | \$6,056 | 1.06 % |
| Other real estate owned | 2,872 | 0.38 % | 7,137 | 1.10 % | 16,083 | 2.83 % |
| Total non-performing assets | \$27,451 | 3.67 % | \$18,692 | 2.88 % | \$22,139 | 3.89 % |
| Loans past due 30-89 days | \$1,222 | 0.16 % | \$412 | 0.06 % | \$312 | 0.05 % |
| As a percent of total assets: | | | | | | |
| Total non-performing loans | | 2.78 % | | 1.50 % | | 0.80 % |
| Total non-performing assets | | 3.10 % | | 2.42 % | | 2.92 % |
| Allowance for loan losses as a percent | | | | | | |
| of: | | | | | | |
| Total assets | | 1.18 % | | 1.64 % | | 1.84 % |
| Non-performing loans | | 42.33 % | | 91.76 % | | 173.30 % |

At December 31, 2015, loans 30 to 89 days delinquent comprised of five customer relationships, which totaled \$1.2 million. Management continually evaluates the collectability of its non-performing loans and the adequacy of its allowance for loan losses to absorb the identified and unidentified losses inherent in the loan portfolio. As a result of these evaluations, loans considered uncollectible are charged-off and adjustments to the reserve considered necessary are provided through a provision charged against earnings. These evaluations consider the current economic environment, the real estate market and its impact on underlying collateral values, trends in the level of non-performing and past-due loans, and changes in the size and composition of the loan portfolio.

Provision for loan losses for the years ended December 31, 2015, 2014, and 2013 totaled \$(1.0) million, \$589 thousand, and \$4.2 million, respectively. For the year ended December 31, 2015, net loans recovered totaled \$821 thousand. For the years ended December 31, 2014 and 2013, net loans charged-off totaled \$481 thousand and \$6.2 million, respectively. At December 31, 2015, 2014, and 2013, we had non-performing loans (i.e., nonaccrual loans and loans 90 days or more past due) of \$24.6 million, \$11.6 million, and \$6.1 million, respectively. Considering the nature of our loan portfolio, management believes that the allowance for loan losses at December 31, 2015 was adequate.

During the years ended December 31, 2015, 2014 and 2013, the activity in our allowance for loan losses was as follows:

| | As of December 31, | | |
|------------------------------|------------------------|----------|----------|
| | 2015 | 2014 | 2013 |
| | (dollars in thousands) | | |
| Allowance for loan losses: | | | |
| Balance, beginning of period | \$10,603 | \$10,495 | \$12,521 |
| Actual charge-offs | (1,907) | (647) | (6,438) |
| Less: Recoveries | 2,728 | 166 | 212 |
| Net loan charge-offs | 821 | (481) | (6,226) |
| Provision for loan losses | (1,019) | 589 | 4,200 |

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| | | | |
|------------------------|----------|----------|----------|
| Balance, end of period | \$10,405 | \$10,603 | \$10,495 |
|------------------------|----------|----------|----------|

8

Deposit Activities

Deposits are the major source of our funds for lending and other investment purposes. Deposits are attracted principally from within our primary market area through the offering of a broad variety of deposit instruments including checking accounts, money market accounts, regular savings accounts, term certificate accounts (including “jumbo” certificates in denominations of \$100,000 or more) and retirement savings plans. As of December 31, 2015, 2014, and 2013, the distribution by type of deposit accounts was as follows:

| | As of December 31, 2015 | | 2014 | | 2013 | | | |
|------------------------------------|----------------------------------|------------------|-------------|------------------|-------------|------------------|---|--|
| | Amount (dollars in thousands) | % of Deposits | Amount | % of Deposits | Amount | % of Deposits | | |
| Time deposits | \$307,044 | 45.7 | % \$296,921 | 49.0 | % \$321,257 | 52.1 | % | |
| Brokered deposits | 164,559 | 24.5 | % 125,396 | 20.7 | % 150,661 | 24.4 | % | |
| Money market accounts | 96,148 | 14.3 | % 69,742 | 11.5 | % 52,961 | 8.6 | % | |
| Demand, noninterest-bearing | 70,914 | 10.5 | % 81,534 | 13.5 | % 57,231 | 9.3 | % | |
| NOW accounts and interest checking | 27,592 | 4.1 | % 27,312 | 4.5 | % 28,688 | 4.7 | % | |
| Savings | 5,969 | 0.9 | % 4,564 | 0.8 | % 5,510 | 0.9 | % | |
| Total deposits | \$672,226 | 100.0 | % \$605,469 | 100.0 | % \$616,308 | 100.0 | % | |

Our deposits increased \$66.8 million, or 11.0%, from \$605.5 million at December 31, 2014 to \$672.2 million at December 31, 2015, which was primarily the result of increased money market and brokered deposits. Our deposits decreased during 2014, from \$616.3 million at December 31, 2013 to \$605.5 million at December 31, 2014, a decrease of \$10.8 million or 1.8%. This decrease in total deposits from December 31, 2013 to December 31, 2014 resulted from decreases in brokered and time deposits of \$25.3 million and \$24.3 million, respectively, offset by increases in other deposits of \$38.8 million.

Maturity terms, service fees and withdrawal penalties are established by us on a periodic basis. The determination of rates and terms is predicated on funds acquisition and liquidity requirements, rates paid by competitors, growth goals and federal regulations.

Brokered and Other Deposits

We use various funding sources including: (i) core deposits consisting of traditional bank deposit products, such as demand deposits, money market accounts and certificates of deposit, and (ii) wholesale funds consisting of brokered deposits, national CDs and Federal Home Loan Bank of Chicago (the “FHLB”) advances. Wholesale funding is used to supplement normal deposit accumulation by us and to assist in asset liability management. We use brokered deposits to obtain non-putable deposits (except for death and incompetence) with maturities and options that assist in the management of various balance sheet interest rate risks. These deposits may have a higher or lower interest rate than deposits obtained locally. Brokered deposit balances were \$164.6 million, \$125.4 million, and \$150.7 million at December 31, 2015, December 31, 2014, and December 31, 2013, respectively.

FDIC regulations limit the ability of certain insured depository institutions under certain conditions to accept, renew, or roll over brokered deposits by offering rates of interest which are significantly higher than the prevailing rates of interest on deposits offered by other insured depository institutions having the same type of charter in such depository institutions’ normal market area. Under these regulations, “well capitalized” depository institutions may accept, renew, or roll over deposits at such rates without restriction, “adequately capitalized” depository institutions may accept, renew or

roll over deposits at such rates with a waiver from the FDIC (subject to certain restrictions on payments of rates), and “undercapitalized” depository institutions may not accept, renew or roll over deposits at such rates. The regulations contemplate that the definitions of “well capitalized,” “adequately capitalized” and “undercapitalized” will be the same as the definitions adopted by the agencies to implement the prompt corrective action provisions of applicable law. As of December 31, 2015 and December 31, 2014, the Bank met the definition of a “well capitalized” depository institution.

Time deposits of \$100,000 and over, public fund deposits and other large deposit accounts tend to be short-term in nature and more sensitive to changes in interest rates than other types of deposits and, therefore, may be a less stable source of funds. In the event that existing short-term deposits are not renewed, the resulting loss of the deposited funds could adversely affect our liquidity. In a rising interest rate market, such short-term deposits may prove to be a costly source of funds because their short-term nature facilitates renewal at increasingly higher interest rates, which may adversely affect our earnings. However, the converse is true in a falling interest-rate market where such short-term deposits are more favorable to us.

The following table sets forth the maturity of time deposits, including brokered time deposits as of December 31, 2015, 2014, and 2013:

| | As of December 31, | | |
|-----------------------------|------------------------|-----------|-----------|
| | 2015 | 2014 | 2013 |
| | (dollars in thousands) | | |
| 3 months or less | \$48,729 | \$66,722 | \$55,896 |
| Over 3 through 12 months | 111,828 | 106,352 | 98,953 |
| Over 1 year through 3 years | 159,390 | 167,409 | 181,522 |
| Over 3 years | 106,386 | 43,156 | 96,333 |
| Total | \$426,333 | \$383,639 | \$432,704 |

Competition

We encounter strong competition both in making loans and in attracting deposits. The deregulation of the banking industry and the widespread enactment of state laws that permit multi-bank holding companies as well as an increasing level of interstate banking have created a highly competitive environment for commercial banking. In one or more aspects of our business, we compete with other commercial banks, savings and loan associations, credit unions, finance companies, mutual funds, insurance companies, brokerage and investment banking companies and other financial intermediaries. Most of these competitors, some of which are affiliated with bank holding companies, have substantially greater resources and lending limits, and may offer certain services that we do not currently provide.

In addition, many of our non-bank competitors are not subject to the same extensive federal regulations that govern bank holding companies and federally insured banks. Recent federal and state legislation has heightened the competitive environment in which financial institutions must conduct their business, and the potential for competition among financial institutions of all types has increased significantly. There is no assurance that increased competition from other financial institutions will not have an adverse effect on our operations.

To compete, we rely upon specialized services, responsive handling of customer needs, and personal contacts by our officers, directors, and staff. Large multi-branch banking competitors tend to compete primarily by rate and the number and locations of branches while smaller, independent financial institutions tend to compete primarily by rate and personal service.

Employees

At March 1, 2016, we had 97 full-time employees and 14 part-time employees. Our employees are not represented by a collective bargaining unit. We consider our relations with our employees to be excellent.

Supervision and Regulation

General

FDIC-insured institutions, like the Bank, as well as their holding companies and their affiliates, are extensively regulated under federal and state law. As a result, the Company's growth and earnings performance may be affected not only by management decisions and general economic conditions, but also by the requirements of federal and state statutes and by the regulations and policies of various bank regulatory agencies, including the WDFI, the Federal Reserve, the FDIC, and the Bureau of Consumer Financial Protection (the "CFPB"). Furthermore, taxation laws

administered by the Internal Revenue Service and state taxing authorities, accounting rules developed by the Financial Accounting Standards Board, securities laws administered by the SEC and state securities authorities, and anti-money laundering laws enforced by the U.S. Department of the Treasury (the “Treasury”) have an impact on the business of the Company and the Bank. The effect of these statutes, regulations, regulatory policies and accounting rules are significant to the operations and results of the Company and the Bank, and the nature and extent of future legislative, regulatory or other changes affecting financial institutions are impossible to predict with any certainty.

Federal and state banking laws impose a comprehensive system of supervision, regulation and enforcement on the operations of FDIC-insured institutions, their holding companies and affiliates that is intended primarily for the protection of the FDIC-insured deposits and depositors of banks, rather than shareholders. These federal and state laws, and the regulations of the bank regulatory agencies issued under them, affect, among other things, the scope of the Company’s and the Bank’s business, the kinds and amounts of investments they may make, Bank reserve requirements, capital levels relative to assets, the nature and amount of collateral for loans, the establishment of branches, the Company’s ability to merge, consolidate and acquire, dealings with insiders and affiliates and the Bank’s payment of dividends. In the last several years, the Company and the Bank have experienced heightened regulatory requirements and scrutiny following the global financial crisis and as a result of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”). Although the reforms primarily targeted systemically important financial service providers,

their influence filtered down in varying degrees to community banks over time, and the reforms have caused the Company's compliance and risk management processes, and the costs thereof, to increase.

This supervisory and regulatory framework subjects FDIC-insured institutions and their holding companies to regular examination by their respective regulatory agencies, which results in examination reports and ratings that are not publicly available and that can impact the conduct and growth of their business. These examinations consider not only compliance with applicable laws and regulations, but also capital levels, asset quality and risk, management ability and performance, earnings, liquidity, and various other factors. The regulatory agencies generally have broad discretion to impose restrictions and limitations on the operations of a regulated entity where the agencies determine, among other things, that such operations are unsafe or unsound, fail to comply with applicable law or are otherwise inconsistent with laws and regulations or with the supervisory policies of these agencies.

The following is a summary of the material elements of the supervisory and regulatory framework applicable to the Company and the Bank, beginning with a discussion of the continuing regulatory emphasis on capital levels. It does not describe all of the statutes, regulations and regulatory policies that apply, nor does it restate all of the requirements of those that are described. The descriptions are qualified in their entirety by reference to the particular statutory and regulatory provision.

Regulatory Emphasis on Capital

Regulatory capital represents the net assets of a banking organization available to absorb losses. Because of the risks attendant to their business, FDIC-insured institutions are generally required to hold more capital than other businesses, which directly affects the Company's earnings capabilities. Although capital has historically been one of the key measures of the financial health of banks, its role became fundamentally more important in the wake of the global financial crisis, as the banking regulators recognized that the amount and quality of capital held by banks prior to the crisis was insufficient to absorb losses during periods of severe stress. Certain provisions of the Dodd-Frank Act and Basel III, discussed below, establish strengthened capital standards for banking organizations, require more capital to be held in the form of common stock and disallow certain funds from being included in capital determinations. These standards represent regulatory capital requirements that are meaningfully more stringent than those in place previously.

Minimum Required Capital Levels. Bank holding companies have historically had to comply with less stringent capital standards than their bank subsidiaries and have been able to raise capital with hybrid instruments such as trust preferred securities. The Dodd-Frank Act mandated that the Federal Reserve establish minimum capital levels for holding companies on a consolidated basis as stringent as those required for FDIC-insured institutions. As a consequence, the components of holding company permanent capital known as "Tier 1 Capital" were restricted to those capital instruments that were considered Tier 1 Capital for FDIC-insured institutions. A result of this change is that the proceeds of hybrid instruments, such as trust preferred securities, are being excluded from Tier 1 Capital over a phase-out period. However, if such securities were issued prior to May 19, 2010 by bank holding companies with less than \$15 billion of assets, they may be retained, subject to certain restrictions. Because the Company has assets of less than \$15 billion, the Company is able to maintain its trust preferred proceeds as Tier 1 Capital but the Company has to comply with new capital mandates in other respects and will not be able to raise Tier 1 Capital in the future through the issuance of trust preferred securities.

The capital standards for the Company and the Bank changed on January 1, 2015 to add the requirements of Basel III, discussed below. The minimum capital standards effective prior to and including December 31, 2014 are:

- A leverage requirement, consisting of a minimum ratio of Tier 1 Capital to total adjusted average quarterly assets of 3% for the most highly-rated banks with a minimum requirement of at least 4% for all others, and

· A risk-based capital requirement, consisting of a minimum ratio of Total Capital to total risk-weighted assets of 8% and a minimum ratio of Tier 1 Capital to total risk-weighted assets of 4%.

For these purposes, “Tier 1 Capital” consists primarily of common stock, noncumulative perpetual preferred stock and related surplus less intangible assets (other than certain loan servicing rights and purchased credit card relationships). Total Capital consists primarily of Tier 1 Capital plus “Tier 2 Capital,” which includes other non-permanent capital items, such as certain other debt and equity instruments that do not qualify as Tier 1 Capital, and the Bank’s allowance for loan losses, subject to a limitation of 1.25% of risk-weighted assets. Further, risk-weighted assets for the purpose of the risk-weighted ratio calculations are balance sheet assets and off-balance sheet exposures to which required risk weightings of 0% to 100% are applied.

The Basel International Capital Accords. The risk-based capital guidelines described above are based upon the 1988 capital accord known as “Basel I” adopted by the international Basel Committee on Banking Supervision, a committee of central banks and bank supervisors, as implemented by the U.S. federal banking regulators on an interagency basis. In 2008, the banking agencies collaboratively began to phase-in capital standards based on a second capital accord, referred to as “Basel II,” for large or “core” international banks (generally defined for U.S. purposes as having total assets of \$250 billion or more, or consolidated foreign exposures of \$10 billion or more). On September 12, 2010, the Group of Governors and Heads of Supervision, the oversight body of the Basel Committee on Banking Supervision, announced agreement on a strengthened set of capital requirements for banking

organizations around the world, known as Basel III, to address deficiencies recognized in connection with the global financial crisis. Because of Dodd-Frank Act requirements, Basel III essentially layers a new set of capital standards on the previously existing Basel I standards.

The Basel III Rule. In July 2013, the U.S. federal banking agencies approved the implementation of the Basel III regulatory capital reforms in pertinent part, and, at the same time, promulgated rules effecting certain changes required by the Dodd-Frank Act (the “Basel III Rule”). In contrast to capital requirements historically, which were in the form of guidelines, Basel III was released in the form of regulations by each of the regulatory agencies. The Basel III Rule is applicable to all banking organizations that are subject to minimum capital requirements, including federal and state banks and savings and loan associations, as well as to bank and savings and loan holding companies, other than “small bank holding companies” (generally bank holding companies with consolidated assets of less than \$1 billion which are not publically traded companies).

The Basel III Rule not only increased most of the required minimum capital ratios effective January 1, 2015, but it introduced the concept of Common Equity Tier 1 Capital, which consists primarily of common stock, related surplus (net of treasury stock), retained earnings, and Common Equity Tier 1 minority interests subject to certain regulatory adjustments. The Basel III Rule also expanded the definition of capital by establishing more stringent criteria that instruments must meet to be considered Additional Tier 1 Capital (Tier 1 Capital in addition to Common Equity) and Tier 2 Capital. A number of instruments that qualified as Tier 1 Capital do not qualify, or their qualifications will change. For example, noncumulative perpetual preferred stock, which qualified as simple Tier 1 Capital, does not qualify as Common Equity Tier 1 Capital, but qualifies as Additional Tier 1 Capital. The Basel III Rule also constrained the inclusion of minority interests, mortgage-servicing assets, and deferred tax assets in capital and requires deductions from Common Equity Tier 1 Capital in the event that such assets exceed a certain percentage of a banking organization’s Common Equity Tier 1 Capital.

The Basel III Rule requires minimum capital ratios beginning January 1, 2015, as follows:

- A new ratio of minimum Common Equity Tier 1 equal to 4.5% of risk-weighted assets;
- An increase in the minimum required amount of Tier 1 Capital to 6% of risk-weighted assets;
- A continuation of the current minimum required amount of Total Capital (Tier 1 plus Tier 2) at 8% of risk-weighted assets; and
- A minimum leverage ratio of Tier 1 Capital to total adjusted average quarterly assets equal to 4% in all circumstances.

Not only did the capital requirements change but the risk weightings (or their methodologies) for bank assets that are used to determine the capital ratios changed as well. For nearly every class of assets, the Basel III Rule requires a more complex, detailed and calibrated assessment of credit risk and calculation of risk weightings.

Banking organizations (except for large, internationally active banking organizations) became subject to the new rules on January 1, 2015. However, there are separate phase-in/phase-out periods for: (i) the capital conservation buffer; (ii) regulatory capital adjustments and deductions; (iii) nonqualifying capital instruments; and (iv) changes to the prompt corrective action rules. The phase-in periods commenced on January 1, 2016 and extend until 2019.

Well-Capitalized Requirements. The ratios described above are minimum standards in order for banking organizations to be considered “adequately capitalized” under the Prompt Corrective Action rules discussed below. Bank regulatory agencies uniformly encourage banking organizations to hold more capital and be “well-capitalized” and, to that end, federal law and regulations provide various incentives for such organizations to maintain regulatory capital at levels in excess of minimum regulatory requirements. For example, a banking organization that is well-capitalized may: (i) qualify for exemptions from prior notice or application requirements otherwise applicable to certain types of activities; (ii) qualify for expedited processing of other required notices or applications; and (iii)

accept, roll-over or renew brokered deposits. Higher capital levels could also be required if warranted by the particular circumstances or risk profiles of individual banking organizations. Moreover, the Federal Reserve's capital guidelines contemplate that additional capital may be required to take adequate account of, among other things, interest rate risk, or the risks posed by concentrations of credit, nontraditional activities or securities trading activities. Further, any banking organization experiencing or anticipating significant growth would be expected to maintain capital ratios, including tangible capital positions (i.e., Tier 1 Capital less all intangible assets), well above the minimum levels.

Under the capital regulations of the FDIC and Federal Reserve, in order to be well capitalized, a banking organization must maintain:

- A new Common Equity Tier 1 Capital ratio to risk-weighted assets of 6.5% or more;
 - A minimum ratio of Tier 1 Capital to total risk-weighted assets of 8% (6% under Basel I);
- A minimum ratio of Total Capital to total risk-weighted assets of 10% (the same as Basel I); and

- A leverage ratio of Tier 1 Capital to total adjusted average quarterly assets of 5% or greater.

In addition, banking organizations that seek the freedom to make capital distributions (including for dividends and repurchases of stock) and pay discretionary bonuses to executive officers without restriction must also maintain 2.5% in Common Equity Tier 1 attributable to a capital conservation buffer to be phased in over three years beginning in 2016. The purpose of the conservation buffer is to ensure that banking organizations maintain a buffer of capital that can be used to absorb losses during periods of financial and economic stress. Factoring in the fully phased-in conservation buffer increases the minimum ratios depicted above to:

- 7% for Common Equity Tier 1,
- 8.5% for Tier 1 Capital and
- 10.5% for Total Capital.

It is possible under the Basel III Rule to be well-capitalized while remaining out of compliance with the capital conservation buffer.

As of December 31, 2015: (i) the Bank was not subject to a directive from the FDIC to increase its capital and (ii) the Bank was well-capitalized, as defined by FDIC regulations. As of December 31, 2015, the Company had regulatory capital in excess of the Federal Reserve's requirements and met the Basel III Rule requirements to be well-capitalized.

Prompt Corrective Action. An FDIC-insured institution's capital plays an important role in connection with regulatory enforcement as well. This regime applies to FDIC-insured institutions, not holding companies, and provides escalating powers to bank regulatory agencies as a bank's capital diminishes. Federal law provides the federal banking regulators with broad power to take prompt corrective action to resolve the problems of undercapitalized institutions. The extent of the regulators' powers depends on whether the institution in question is "adequately capitalized," "undercapitalized," "significantly undercapitalized" or "critically undercapitalized," in each case as defined by regulation. Depending upon the capital category to which an institution is assigned, the regulators' corrective powers include: (i) requiring the institution to submit a capital restoration plan; (ii) limiting the institution's asset growth and restricting its activities; (iii) requiring the institution to issue additional capital stock (including additional voting stock) or to sell itself; (iv) restricting transactions between the institution and its affiliates; (v) restricting the interest rate that the institution may pay on deposits; (vi) ordering a new election of directors of the institution; (vii) requiring dismissal of senior executive officers or directors; (viii) prohibiting the institution from accepting deposits from correspondent banks; (ix) requiring the institution to divest certain subsidiaries; (x) prohibiting the payment of principal or interest on subordinated debt; and (xi) ultimately, appointing a receiver for the institution.

Regulation and Supervision of the Company

General. The Company, as the sole shareholder of the Bank, is a bank holding company. As a bank holding company, the Company is registered with, and subject to regulation by, the Federal Reserve under the BHCA. The Company is legally obligated to act as a source of financial and managerial strength to the Bank and to commit resources to support the Bank in circumstances where it might not otherwise do so. The Company is subject to periodic examination by the Federal Reserve and is required to file with the Federal Reserve periodic reports of its operations and such additional information regarding its operations as the Federal Reserve may require.

Acquisitions, Activities and Change in Control. The primary purpose of a bank holding company is to control and manage banks. The BHCA generally requires the prior approval of the Federal Reserve for any merger involving a bank holding company or any acquisition by a bank holding company of another bank or bank holding company. Subject to certain conditions (including deposit concentration limits established by the BHCA), the Federal Reserve may allow a bank holding company to acquire banks located in any state of the United States. In approving interstate acquisitions, the Federal Reserve is required to give effect to applicable state law limitations on the aggregate amount of deposits that may be held by the acquiring bank holding company and its FDIC-insured

institution affiliates in the state in which the target bank is located (provided that those limits do not discriminate against out-of-state institutions or their holding companies) and state laws that require that the target bank have been in existence for a minimum period of time (not to exceed five years) before being acquired by an out-of-state bank holding company. Furthermore, in accordance with the Dodd-Frank Act, bank holding companies must be well-capitalized and well-managed in order to effect interstate mergers or acquisitions. For a discussion of the capital requirements, see “Regulatory Emphasis on Capital” above.

The BHCA generally prohibits the Company from acquiring direct or indirect ownership or control of more than 5% of the voting shares of any company that is not a bank and from engaging in any business other than that of banking, managing and controlling banks or furnishing services to banks and their subsidiaries. This general prohibition is subject to a number of exceptions. The principal exception allows bank holding companies to engage in, and to own shares of companies engaged in, certain businesses found by the Federal Reserve prior to November 11, 1999 to be “so closely related to banking ... as to be a proper incident thereto.” This authority would permit the Company to engage in a variety of banking-related businesses, including the ownership and operation of a savings association, or any entity engaged in consumer finance, equipment leasing, the operation of a computer service bureau

(including software development) and mortgage banking and brokerage services. The BHCA does not place territorial restrictions on the domestic activities of nonbank subsidiaries of bank holding companies.

Additionally, bank holding companies that meet certain eligibility requirements prescribed by the BHCA and elect to operate as financial holding companies may engage in, or own shares in companies engaged in, a wider range of nonbanking activities, including securities and insurance underwriting and sales, merchant banking and any other activity that the Federal Reserve, in consultation with the Secretary of the Treasury, determines by regulation or order is financial in nature or incidental to any such financial activity or that the Federal Reserve determines by order to be complementary to any such financial activity and does not pose a substantial risk to the safety or soundness of FDIC-insured institutions or the financial system generally. The Company has not elected to operate as a financial holding company.

Federal law also prohibits any person or company from acquiring “control” of an FDIC-insured depository institution or its holding company without prior notice to the appropriate federal bank regulator. “Control” is conclusively presumed to exist upon the acquisition of 25% or more of the outstanding voting securities of a bank or bank holding company, but may arise under certain circumstances between 10% and 24.99% ownership.

Capital Requirements. Bank holding companies are required to maintain capital in accordance with Federal Reserve capital adequacy requirements, as impacted by the Dodd-Frank Act and Basel III. For a discussion of capital requirements, see “—Regulatory Emphasis on Capital” above.

Dividend Payments. The Company’s ability to pay dividends to its shareholders may be affected by both general corporate law considerations and policies of the Federal Reserve applicable to bank holding companies. As a Wisconsin corporation, we are subject to the limitations of the Wisconsin Business Corporation Law, which prohibit us from paying dividends if such payment would: (1) render us unable to pay our debts as they become due in the usual course of business, or (2) result in our assets being less than the sum of our total liabilities plus the amount needed to satisfy the preferential rights upon dissolution of any shareholders with preferential rights superior to those shareholders receiving the dividend. Additionally, policies of the Federal Reserve caution that a bank holding company should not pay cash dividends, without prior consultation with the Federal Reserve, when (i) the bank holding company’s net income available to shareholders over the last four quarters (net of dividends paid) has not been sufficient to fully fund the dividends, (ii) the prospective rate of earnings retention is not consistent with the bank holding company’s capital needs and overall current and prospective financial condition, or (iii) the bank holding company will not meet, or is in danger of not meeting, its minimum regulatory capital adequacy ratios.

As a general matter, the Federal Reserve has indicated that the board of directors of a bank holding company should eliminate, defer or significantly reduce dividends to shareholders if: (i) its net income available to shareholders for the past four quarters, net of dividends previously paid during that period, is not sufficient to fully fund the dividends; (ii) the prospective rate of earnings retention is inconsistent with its capital needs and overall current and prospective financial condition; or (iii) it will not meet, or is in danger of not meeting, its minimum regulatory capital adequacy ratios. The Federal Reserve also possesses enforcement powers over bank holding companies and their non-bank subsidiaries to prevent or remedy actions that represent unsafe or unsound practices or violations of applicable statutes and regulations. Among these powers is the ability to proscribe the payment of dividends by banks and bank holding companies. In addition, under the Basel III Rule, institutions that seek the freedom to pay dividends will have to maintain 2.5% in Common Equity Tier 1 attributable to the capital conservation buffer to be phased in over three years beginning in 2016. See “—Regulatory Emphasis on Capital” above.

Monetary Policy. The monetary policy of the Federal Reserve has a significant effect on the operating results of financial or bank holding companies and their subsidiaries. Among the tools available to the Federal Reserve to affect the money supply are open market transactions in U.S. government securities, changes in the discount rate on bank

borrowings and changes in reserve requirements against bank deposits. These means are used in varying combinations to influence overall growth and distribution of bank loans, investments and deposits, and their use may affect interest rates charged on loans or paid on deposits.

Federal Securities Regulation. The Company's common stock is registered with the SEC under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Consequently, the Company is subject to the information, proxy solicitation, insider trading and other restrictions and requirements of the SEC under the Exchange Act.

Corporate Governance. The Dodd-Frank Act addressed many investor protection, corporate governance and executive compensation matters that will affect most U.S. publicly traded companies. The Dodd-Frank Act increased stockholder influence over boards of directors by requiring companies to give stockholders a non-binding vote on executive compensation and so-called "golden parachute" payments, and authorizing the SEC to promulgate rules that would allow stockholders to nominate and solicit voters for their own candidates using a company's proxy materials. The legislation also directed the Federal Reserve to promulgate rules prohibiting excessive compensation paid to executives of bank holding companies, regardless of whether such companies are publicly traded.

Regulation and Supervision of the Bank

General. The Bank is a Wisconsin chartered bank. The deposit accounts of the Bank are insured by the FDIC's Deposit Insurance Fund ("DIF") to the maximum extent provided under federal law and FDIC regulations. As a Wisconsin-chartered FDIC-insured bank, the Bank is subject to the examination, supervision, reporting and enforcement requirements of the WDFI, the chartering authority for Wisconsin banks, and the FDIC, designated by federal law as the primary federal regulator of insured state banks that, like the Bank, are not members of the Federal Reserve System ("nonmember banks").

Deposit Insurance. As an FDIC-insured institution, the Bank is required to pay deposit insurance premium assessments to the FDIC. The FDIC has adopted a risk-based assessment system whereby FDIC-insured institutions pay insurance premiums at rates based on their risk classification. An institution's risk classification is assigned based on its capital levels and the level of supervisory concern the institution poses to the regulators. For deposit insurance assessment purposes, an FDIC-insured institution is placed in one of four risk categories each quarter. An institution's assessment is determined by multiplying its assessment rate by its assessment base. The total base assessment rates range from 2.5 basis points to 45 basis points. The assessment base is calculated using average consolidated total assets minus average tangible equity. At least semi-annually, the FDIC will update its loss and income projections for the DIF and, if needed, will increase or decrease the assessment rates, following notice and comment on proposed rulemaking.

Amendments to the Federal Deposit Insurance Act revised the assessment base against which an FDIC-insured institution's deposit insurance premiums paid to the DIF are calculated to be its average consolidated total assets less its average tangible equity. This change shifted the burden of deposit insurance premiums toward those large depository institutions that rely on funding sources other than U.S. deposits. Additionally, the Dodd-Frank Act altered the minimum designated reserve ratio of the DIF, increasing the minimum from 1.15% to 1.35% of the estimated amount of total insured deposits and eliminating the requirement that the FDIC pay dividends to FDIC-insured institutions. In lieu of dividends, the FDIC has adopted progressively lower assessment rate schedules that will take effect when the reserve ratio exceeds 1.15%, 2%, and 2.5%. As a consequence, premiums will decrease once the 1.15% threshold is exceeded. The FDIC has until September 3, 2020 to meet the 1.35% reserve ratio target. Several of these provisions could increase the Bank's FDIC deposit insurance premiums.

The Dodd-Frank Act also permanently established the maximum amount of deposit insurance for banks, savings institutions and credit unions to \$250,000 per insured depositor.

FICO Assessments. In addition to paying basic deposit insurance assessments, FDIC-insured institutions must pay Financing Corporation ("FICO") assessments. FICO is a mixed-ownership governmental corporation chartered by the former Federal Home Loan Bank Board pursuant to the Competitive Equality Banking Act of 1987 to function as a financing vehicle for the recapitalization of the former Federal Savings and Loan Insurance Corporation. FICO issued 30-year noncallable bonds of approximately \$8.1 billion that mature in 2017 through 2019. FICO's authority to issue bonds ended on December 12, 1991. Since 1996, federal legislation has required that all FDIC-insured institutions pay assessments to cover interest payments on FICO's outstanding obligations. The FICO assessment rate is adjusted quarterly and for the fourth quarter of 2015 was 0.60 basis points (60 cents per \$100 dollars of assessable deposits).

Supervisory Assessments. All Wisconsin banks are required to pay supervisory assessments to the WDFI to fund the operations of that agency. The amount of the assessment is calculated on the basis of the Bank's total assets. During the year ended December 31, 2015, the Bank paid supervisory assessments to the WDFI totaling approximately \$37 thousand.

Capital Requirements. Banks are generally required to maintain capital levels in excess of other businesses. For a discussion of capital requirements, see “—Regulatory Emphasis on Capital” above.

Liquidity Requirements. Liquidity is a measure of the ability and ease with which assets may be converted to cash. Liquid assets are those that can be converted to cash quickly if needed to meet financial obligations. To remain viable, FDIC-insured institutions must have enough liquid assets to meet their near-term obligations, such as withdrawals by depositors. Because the global financial crisis was in part a liquidity crisis, Basel III also includes a liquidity framework that requires FDIC-insured institutions to measure their liquidity against specific liquidity tests. One test, referred to as the Liquidity Coverage Ratio (“LCR”), is designed to ensure that the institution has an adequate stock of unencumbered high-quality liquid assets that can be converted easily and immediately in private markets into cash to meet liquidity needs for a 30-calendar day liquidity stress scenario. The other test, known as the Net Stable Funding Ratio, is designed to promote more medium- and long-term funding of the assets and activities of institutions over a one-year horizon. These tests provide an incentive for institutions to increase their holdings in Treasury securities and other sovereign debt as a component of assets, increase the use of long-term debt as a funding source and rely on stable funding like core deposits (in lieu of brokered deposits).

In addition to liquidity guidelines already in place, the U.S. bank regulatory agencies implemented the Basel III LCR in September 2014, which requires large financial firms to hold levels of liquid assets sufficient to protect against constraints on their funding during times of financial turmoil. While the LCR only applies to the largest banking organizations in the country, certain elements are expected to filter down to all FDIC-insured institutions. The Bank is reviewing its liquidity risk management policies in light of the LCR and NSFR.

Stress Testing. A stress test is an analysis or simulation designed to determine the ability of a given FDIC-insured institution to deal with an economic crisis. In October 2012, U.S. bank regulators unveiled new rules mandated by the Dodd-Frank Act that require the largest U.S. banks to undergo stress tests twice per year, once internally and once conducted by the regulators, and began recommending portfolio stress testing as a sound risk management practice for community banks. Although stress tests are not officially required for banks with less than \$10 billion in assets, they have become part of annual regulatory exams even for banks small enough to be officially exempted from the process. The FDIC now recommends stress testing as means to identify and quantify loan portfolio risk and the Bank has begun the process.

Dividend Payments. The primary source of funds for the Company is dividends from the Bank. Under Wisconsin banking law, the Bank generally may not pay dividends in excess of its undivided profits. If dividends declared and paid in either of the two immediately preceding years exceeded net income for either of those two years respectively, the Bank may not declare or pay any dividend in the current year that exceeds year-to-date net income, except with the written consent of the WDFI. In addition, under the Basel III Rule, institutions that seek the freedom to pay dividends will have to maintain 2.5% in Common Equity Tier 1 attributable to the capital conservation buffer to be phased in over three years beginning in 2016. See “Regulatory Emphasis on Capital” above.

State Bank Investments and Activities. The Bank is permitted to make investments and engage in activities directly or through subsidiaries as authorized by Wisconsin law. However, under federal law and FDIC regulations, FDIC-insured state banks are prohibited, subject to certain exceptions, from making or retaining equity investments of a type, or in an amount, that are not permissible for a national bank. Federal law and FDIC regulations also prohibit FDIC-insured state banks and their subsidiaries, subject to certain exceptions, from engaging as principal in any activity that is not permitted for a national bank unless the Bank meets, and continues to meet, its minimum regulatory capital requirements and the FDIC determines that the activity would not pose a significant risk to the DIF. These restrictions have not had, and are not currently expected to have, a material impact on the operations of the Bank.

Insider Transactions. The Bank is subject to certain restrictions imposed by federal law on “covered transactions” between the Bank and its “affiliates.” The Company is an affiliate of the Bank for purposes of these restrictions, and covered transactions subject to the restrictions include extensions of credit to the Company, investments in the stock or other securities of the Company and the acceptance of the stock or other securities of the Company as collateral for loans made by the Bank. The Dodd-Frank Act enhanced the requirements for certain transactions with affiliates, including an expansion of the definition of “covered transactions” and an increase in the amount of time for which collateral requirements regarding covered transactions must be maintained.

Limitations and reporting requirements are also placed on extensions of credit by the Bank to its directors and officers, to directors and officers of the Company and its subsidiaries, to principal shareholders of the Company and to “related interests” of such directors, officers and principal shareholders. In addition, federal law and regulations may affect the terms upon which any person who is a director or officer of the Company or the Bank, or a principal shareholder of the Company, may obtain credit from banks with which the Bank maintains a correspondent relationship.

Safety and Soundness Standards/Risk Management. The federal banking agencies have adopted guidelines that establish operational and managerial standards to promote the safety and soundness of FDIC-insured institutions. The guidelines set forth standards for internal controls, information systems, internal audit systems, loan documentation, credit underwriting, interest rate exposure, asset growth, compensation, fees and benefits, asset quality and earnings.

In general, the safety and soundness guidelines prescribe the goals to be achieved in each area, and each institution is responsible for establishing its own procedures to achieve those goals. If an institution fails to comply with any of the standards set forth in the guidelines, the FDIC-insured institution’s primary federal regulator may require the institution to submit a plan for achieving and maintaining compliance. If an FDIC-insured institution fails to submit an

acceptable compliance plan, or fails in any material respect to implement a compliance plan that has been accepted by its primary federal regulator, the regulator is required to issue an order directing the institution to cure the deficiency. Until the deficiency cited in the regulator's order is cured, the regulator may restrict the FDIC-insured institution's rate of growth, require the FDIC-insured institution to increase its capital, restrict the rates the institution pays on deposits or require the institution to take any action the regulator deems appropriate under the circumstances. Noncompliance with the standards established by the safety and soundness guidelines may also constitute grounds for other enforcement action by the federal bank regulatory agencies, including cease and desist orders and civil money penalty assessments.

During the past decade, the bank regulatory agencies have increasingly emphasized the importance of sound risk management processes and strong internal controls when evaluating the activities of the FDIC-insured institutions they supervise. Properly managing risks has been identified as critical to the conduct of safe and sound banking activities and has become even more important as new technologies, product innovation, and the size and speed of financial transactions have changed the nature of banking markets. The agencies have identified a spectrum of risks facing a banking institution including, but not limited to, credit, market, liquidity, operational, legal, and reputational risk. In particular, recent regulatory pronouncements have focused on operational risk, which arises from the potential that inadequate information systems, operational problems, breaches in internal controls, fraud, or unforeseen catastrophes will result in unexpected losses. New products and services, third-party risk management and cybersecurity are critical sources of operational risk that FDIC-insured institutions are expected to address in the current environment. The Bank is

expected to have active board and senior management oversight; adequate policies, procedures, and limits; adequate risk measurement, monitoring, and management information systems; and comprehensive internal controls.

Branching Authority. The Bank has the authority under Wisconsin law to establish branches anywhere in the State of Wisconsin, subject to receipt of all required regulatory approvals. Federal law permits state and national banks to merge with banks in other states subject to: (i) regulatory approval; (ii) federal and state deposit concentration limits; and (iii) state law limitations requiring the merging bank to have been in existence for a minimum period of time (not to exceed five years) prior to the merger. The establishment of new interstate branches has historically been permitted only in those states the laws of which expressly authorize such expansion. The Dodd-Frank Act permits well-capitalized and well-managed banks to establish new interstate branches or the acquisition of individual branches of a bank in another state (rather than the acquisition of an out-of-state bank in its entirety) without impediments.

Transaction Account Reserves. Federal Reserve regulations require FDIC-insured institutions to maintain reserves against their transaction accounts (primarily NOW and regular checking accounts). For 2016: the first \$15.2 million of otherwise reservable balances are exempt from reserves and have a zero percent reserve requirement; for transaction accounts aggregating more than \$15.2 million to \$110.2 million, the reserve requirement is 3% of total transaction accounts; and for net transaction accounts in excess of \$110.2 million, the reserve requirement is 3% up to \$110.2 million plus 10% of the aggregate amount of total transaction accounts in excess of \$110.2 million. These reserve requirements are subject to annual adjustment by the Federal Reserve.

Community Reinvestment Act Requirements. The Community Reinvestment Act requires the Bank to have a continuing and affirmative obligation in a safe and sound manner to help meet the credit needs of its entire community, including low- and moderate-income neighborhoods. Federal regulators regularly assess the Bank's record of meeting the credit needs of its communities. Applications for additional acquisitions would be affected by the evaluation of the Bank's effectiveness in meeting its Community Reinvestment Act requirements. Upon an exam in 2015, the Bank received a "satisfactory" Community Reinvestment Act rating.

Anti-Money Laundering. The Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (the "USA Patriot Act"), along with anti-money laundering and bank secrecy laws ("AML-BSA"), are designed to deny terrorists and criminals the ability to obtain access to the U.S. financial system and has significant implications for FDIC-insured institutions, brokers, dealers and other businesses involved in the transfer of money. The laws mandate financial services companies to have policies and procedures with respect to measures designed to address any or all of the following matters: (i) customer identification and ongoing due diligence programs; (ii) money laundering; (iii) terrorist financing; (iv) identifying and reporting suspicious activities and currency transactions; (v) currency crimes; and (vi) cooperation among FDIC-insured institutions and law enforcement authorities.

Concentrations in Commercial Real Estate. Concentration risk exists when FDIC-insured institutions deploy too many assets to any one industry or segment. A concentration in commercial real estate is one example of regulatory concern. The interagency Concentrations in Commercial Real Estate Lending, Sound Risk Management Practices guidance ("CRE Guidance") provides supervisory criteria, including the following numerical indicators, to assist bank examiners in identifying banks with potentially significant commercial real estate loan concentrations that may warrant greater supervisory scrutiny: (i) commercial real estate loans exceeding 300% of capital and increasing 50% or more in the preceding three years; or (ii) construction and land development loans exceeding 100% of capital. The CRE Guidance does not limit banks' levels of commercial real estate lending activities, but rather guides institutions in developing risk management practices and levels of capital that are commensurate with the level and nature of their commercial real estate concentrations. On December 18, 2015, the federal banking agencies issued a statement to reinforce prudent risk-management practices related to CRE lending, having observed substantial growth in many CRE asset and lending markets, increased competitive pressures, rising CRE concentrations in banks, and an

easing of CRE underwriting standards. The federal bank agencies reminded FDIC-insured institutions to maintain underwriting discipline and exercise prudent risk-management practices to identify, measure, monitor, and manage the risks arising from CRE lending. In addition, FDIC-insured institutions must maintain capital commensurate with the level and nature of their CRE concentration risk.

Based on the Bank's loan portfolio as of December 31, 2015, the Bank does not exceed these guidelines.

Consumer Financial Services. The historical structure of federal consumer protection regulation applicable to all providers of consumer financial products and services changed significantly on July 21, 2011, when the CFPB commenced operations to supervise and enforce consumer protection laws. The CFPB has broad rulemaking authority for a wide range of consumer protection laws that apply to all providers of consumer products and services, including the Bank, as well as the authority to prohibit "unfair, deceptive or abusive" acts and practices. The CFPB has examination and enforcement authority over providers with more than \$10 billion in assets. FDIC-insured institutions with \$10 billion or less in assets, like the Bank, continue to be examined by their applicable bank regulators.

Because abuses in connection with residential mortgages were a significant factor contributing to the global financial crisis, many new rules issued by the CFPB and required by the Dodd-Frank Act address mortgage and mortgage-related products, their underwriting, origination, servicing and sales. The Dodd-Frank Act significantly expanded underwriting requirements applicable to loans secured by 1-4 family residential real property and augmented federal law combating predatory lending practices. In addition to numerous disclosure requirements, the Dodd Frank Act imposed new standards for mortgage loan originations on all lenders,

including all FDIC-insured institutions, in an effort to strongly encourage lenders to verify a borrower's "ability to repay," while also establishing a presumption of compliance for certain "qualified mortgages." In addition, the Dodd-Frank Act generally required lenders or securitizers to retain an economic interest in the credit risk relating to loans that the lender sells, and other asset backed securities that the securitizer issues, if the loans have not complied with the ability-to-repay standards. The Bank does not currently expect the CFPB's rules to have a significant impact on the Company's operations, except for higher compliance costs.

Guidance on Sound Incentive Compensation Policies

As discussed above, the federal banking agencies have issued comprehensive guidance on incentive compensation policies. This guidance is designed to ensure that a financial institution's incentive compensation structure does not encourage imprudent risk-taking, which may undermine the safety and soundness of the institution. The guidance, which applies to all employees that have the ability to materially affect an institution's risk profile, either individually or as part of a group, is based upon three primary principles: (1) balanced risk-taking incentives, (2) compatibility with effective controls and risk management, and (3) strong corporate governance.

An institution's supervisory ratings will incorporate any identified deficiencies in an institution's compensation practices, and it may be subject to an enforcement action if the incentive compensation arrangements pose a risk to the safety and soundness of the institution. Further, a provision of the Basel III Capital Rules described above would limit discretionary bonus payments to bank executives if the institution's regulatory capital ratios fail to exceed certain thresholds.

ITEM 1A. RISK FACTORS

Forward-Looking Statements

This report contains statements that may constitute forward-looking statements within the meaning of the safe-harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995, such as statements other than historical facts contained or incorporated by reference in this report. These forward-looking statements include statements with respect to our financial condition, results of operations, plans, objectives, future performance and business, including statements preceded by, followed by or that include the words "believes," "expects," or "anticipates," references to estimates or similar expressions. Future filings by us with the SEC, and future statements other than historical facts contained in written material, press releases and oral statements issued by us, or on our behalf, may also constitute forward-looking statements.

Forward-looking statements are subject to significant risks and uncertainties, and our actual results may differ materially from the results discussed in such forward-looking statements. Factors that might cause actual results to differ from the results discussed above include, but are not limited to: the risk factors set forth below; any other risks identified in this report or in other filings we may make with the SEC; expected synergies, cost savings and other financial or other benefits of the proposed transaction between the Company and Fox River Valley not being realized within the expected timeframes or being less than projected; the requisite shareholder and regulatory approvals for the proposed transaction between the Company and Fox River Valley not being obtained; credit and interest rate risks associated with the Company's and Fox River Valley's respective businesses; customer borrowing, repayment, investment and deposit practices, and general economic conditions, either nationally or in the market areas in which the Company and Fox River Valley operate or anticipate doing business, being less favorable than expected; and new regulatory or legal requirements or obligations. All forward-looking statements contained in this report or which may be contained in future statements made for or on our behalf are based upon information available at the time the statement is made and we assume no obligation to update any forward-looking statements.

Risk Factors

An investment in our common stock contains a high degree of risk. In addition to the other information contained in, or incorporated by reference into, this Form 10-K, including the matters addressed under the caption “Forward Looking Statements” above, you should carefully consider the risks described below before deciding whether to invest in our common stock. If any of the events highlighted in the following risks actually occur, or if additional risks and uncertainties not presently known to us or that we do not currently believe to be important to you, materialize, our business, results of operations or financial condition would likely suffer. In such an event, the trading price of our common stock could decline and you could lose all or part of your investment. In assessing these risks, you should also refer to the other information contained in our filings with the SEC, including our financial statements and related notes.

Risks Related to Our Business

We are subject to specific market risks due to our focus on agricultural lending.

We primarily concentrate our lending activities in the state of Wisconsin, which is to some extent dominated by an agricultural economy. Historically, our senior management's primary business lending experience has been in agricultural lending, with a specific expertise in and focus on dairy and dairy-related businesses. Although we attempt to maintain a diversified customer base and a diversified loan portfolio, we are more heavily dependent upon the agricultural economy than a typical commercial bank. At December 31, 2015, agricultural loans comprised \$499 million, or approximately 66.8%, of our total loan portfolio.

The agricultural economy is subject to certain risks that are either inherently volatile or are beyond our ability, or the ability of farmers or other participants in the agricultural economy, to predict or control. Some of these risks include, but are not limited to:

- **Weather-Related Risks.** Severe weather, including such things as drought, hail, excessive rain or other natural disasters, could impact the quantity and quality of feed necessary to support our borrowers' dairy operations and, in turn, increase their expenses. If significant adverse weather-related events occur, it could impair the ability of borrowers to repay outstanding loans or impair the value of collateral securing loans and cause significant property damage, which could either result in loss of revenue or cause us to incur additional expenses.
- **Disease-Related Risks.** The operations of our dairy farm and dairy-related borrowers depend primarily on their cattle. If the livestock were to contract an illness or disease, the borrowers would incur additional expenses, and the viability of their operations may be compromised if the disease is not properly managed. The existence of a widespread livestock disease or pandemic could have a significant impact on our borrowers' ability to repay outstanding loans or impair the value of collateral securing loans, which could either result in loss of revenue or cause us to incur additional expenses.
- **Real Property Value.** Our dairy farm and dairy-related borrowers tend to grow and produce much of their feed as opposed to purchasing it from third parties, unlike many dairy farmers in other parts of the country. While this means they are often less subject to fluctuations in feed prices, they require more land. Accordingly, declines in real property values in the areas in which we operate could result in a deterioration of the credit quality of our borrowers or an increase in the number of loan delinquencies, default and charge-offs, and could reduce the value of any collateral we realize following a default on agricultural loans.
- **Market Prices.** Agricultural markets are sensitive to real and perceived changes in supply and demand of agricultural products, and given that approximately 90% of our agricultural lending is to dairy farms, the credit quality of a substantial portion of our loan portfolio is closely related to the performance of, and supply and demand in, this sub-sector of the agricultural market. For example, the success of a dairy operation hinges in large part on the cost of feed and the price of milk. When feed costs are high and milk prices are low, it places a strain on our dairy borrowers' business, which may impair their ability to repay their outstanding loans to us.
- **Governmental Policies and Regulations.** Our agricultural loans are dependent on the profitable operation and management of the farm properties securing the loans and their cash flows, and government policies and regulations (including the availability of price supports for crops and other agricultural products (in particular, milk), subsidies, or government-sponsored crop insurance) are outside the control of our borrowers and may affect the successful operation of a farm.
- **Changing consumer preferences.** The business of dairy farms and dairy-related borrowers is subject to changing consumer preferences and nutritional and health-related concerns. Periodically, medical and other studies are released which raise concerns over the healthfulness of cow's milk in the human diet. As a result of studies or other cultural influences, the dairy industry could be affected by certain consumer concerns about dairy products, such as the fat, cholesterol, calorie, sodium and lactose content of such products, which could reduce demand for dairy products and negatively affect dairy related revenue.

Our focus on local markets and agricultural lending creates credit concentration risks.

Credit concentration risk is primarily related to the risk that a borrower will not be able to repay some or all of its obligations to us. Concentrations of credit risk occur when the aggregate amount owed by one borrower, a group of related borrowers, or borrowers within the same or related markets, industries or groups, represent a relatively large percentage of the total capital or total credit extended by a bank. Although each loan in a concentration may be of sound quality, concentration risks represent a risk not present when the same loan amounts are extended to a more diversified group of borrowers. Loans concentrated in one borrower depend, to a large degree, upon the financial capability and character of the individual borrower. Loans made to a group of related borrowers can be susceptible to financial problems experienced by one or a few members of that group. Loans made to borrowers that are part of the same or related industries or groups, or that are located in the same market area, can all be adversely impacted with respect to their ability to repay some or all of their obligations when adverse conditions prevail in the broader economy generally, in the market

specifically or even within just the respective industries or groups. For example, lenders who focused on certain types of real estate lending experienced greater financial difficulties during the recent recession than more diversified lenders or those with concentrations other than real estate lending.

Our lending is primarily to borrowers located or doing business in Wisconsin. Furthermore, at December 31, 2015, we had certain loan-type concentrations of credit risk, specifically in agricultural lending, which are described in more detail in the section of this Form 10-K entitled “Business—Lending Activities” and “Business—General—Market.” Because of the concentration of agricultural loans in our lending portfolio and the volume of our borrowers in regions dependent upon agriculture, we could be disproportionately affected relative to others because these high concentrations present a risk to our lending operations. If any of these borrowers becomes unable to repay their loan obligations for any reason, our nonperforming loans and our allowance for loan losses could increase significantly, which could have a material adverse effect on our business, financial condition and results of operations.

Our business is dependent on local economy, and a regional or local economic downturn affecting Wisconsin may magnify the adverse effects and consequences to us.

We operate as a community-oriented business bank, with a focus on servicing both business customers and individuals in our market areas, which include our headquarters in Manitowoc, a full-service branch in Stevens Point, and a loan production office in each of Darlington, Eau Claire, Fond du Lac, and Sheboygan. Although we have a primary focus on agricultural and business banking, future growth opportunities will depend largely on market area penetration, market area growth and our ability to compete for traditional banking business within our market areas. We anticipate that as a result of this concentration, a downturn in the general economy in our market areas, including Wisconsin specifically, could increase the risk of loss associated with our loan portfolio. Although economic conditions in our markets have been generally stronger than those in other regions of the country recently, there can be no assurance that such conditions will continue to prevail.

Volatility in commodity prices may adversely affect our financial condition and results of operations.

At December 31, 2015, approximately 66.8% of our total loan portfolio was comprised of agricultural loans. Volatility in certain commodity prices, including milk, could adversely impact the ability of those borrowers to perform under the terms of their borrowing arrangements with us. In terms of the dairy industry, milk prices have fluctuated. For the 15-year period ended December 31, 2015, the per-year average class III milk price (a weighted average price of all uses of milk in a particular milk order) in the United States paid to producers has ranged from an average low price of \$10.42 per hundred weight (cwt) in 2002 to an average high price of \$22.34 per cwt in 2014, according to the University of Wisconsin - Madison. “Hundredweight” or “cwt” is a measure equal to 100 pounds of milk shipped. A decrease in milk prices may result in an increase in the number of non-performing loans in our agricultural portfolio, which could have a material adverse effect on our financial condition, earnings and capital.

Our business is significantly dependent on the real estate markets where we operate, as a large portion of our loan portfolio is secured by real estate.

At December 31, 2015, approximately 67% of our aggregate loan portfolio, comprising our agriculture real estate loans (including agricultural construction loans), commercial real estate loans and residential real estate loans, was primarily secured by interests in real estate predominantly located in Wisconsin. Additionally, some of our other lending occasionally involves taking real estate as primary or secondary collateral. Real property values in Wisconsin may be different from, and in some instances worse than, real property values in other markets or in the United States as a whole, and may be affected by a variety of factors outside our control and the control of our borrowers, including national and local economic conditions generally. Declines in real property prices, including prices for farmland, commercial property and homes in Wisconsin, could result in a deterioration of the credit quality of our borrowers, an

increase in the number of loan delinquencies, defaults and charge-offs, and reduced demand for our products and services generally. Moreover, declines in real property values in Wisconsin could reduce the value of any collateral we realize following a default on these loans and could adversely affect our ability to continue to grow our loan portfolio consistent with our underwriting standards. Our failure to effectively mitigate these risks could have a material adverse effect on our business, financial condition or result of operations.

Strong competition could hurt our earnings and slow growth.

We face intense competition in making loans and attracting deposits. Price competition for loans and deposits sometimes results in us charging lower interest rates on our loans and paying higher interest rates on our deposits, which may reduce our net interest income. Competition also makes it more difficult and costly to attract and retain qualified employees. Many of the institutions with which we compete have substantially greater resources and lending limits than we have and may offer services that we do not provide. We also face competition for agricultural loans from participants in the nationwide Farm Credit System and much larger regional, national and global banks. We expect competition to increase in the future as a result of legislative, regulatory and technological

changes and the continuing trend of non-bank competition in the financial services industry. If we are not able to effectively compete in our market areas and targeted business segments, our profitability may be negatively affected.

Our ability to maintain our reputation is critical to the success of our business, and the failure to do so may materially adversely affect our performance.

We have benefited from strong relationships with our customers, and also from our relationships with financial intermediaries. As a result, our reputation is an important component of our business. A key component of our business strategy is to leverage our reputation for customer service and knowledge of our customers' needs and business to expand our presence by capturing new business opportunities from existing and prospective customers in and outside of our local market areas. We strive to conduct our business in a manner that enhances our reputation. We aim to enhance our reputation, in part, by recruiting, hiring and retaining employees who share our core values of being an integral part of the communities and markets we serve, who are able to connect with customers through on-site visits and knowledge of our customers' businesses, and who care about and deliver superior service to our customers. If our reputation is negatively affected by the actions of our employees, by our inability to conduct our operations in a manner that is appealing to current or prospective customers, or by events beyond our control, our business and operating results may be adversely affected.

Our commercial real estate and commercial and industrial loans generally carry greater credit risk than loans secured by owner occupied one-to-four family real estate, and our credit risk may increase if we succeed in our plan to increase our commercial lending.

At December 31, 2015, \$213.7 million, or approximately 28.6%, of our loan portfolio consisted of commercial real estate and commercial and industrial loans. Given their generally larger balances and the complexity of the underlying collateral, commercial real estate and commercial and industrial loans generally expose a lender to greater credit risk than loans secured by owner occupied one-to-four family real estate. For commercial real estate loans, the principal risk is that repayment is generally dependent on income from tenant leases being generated in amounts sufficient to cover operating expenses and debt service. For commercial and industrial loans, the principal risk is that repayment is generally dependent upon the successful operation of the borrower's business. If loans that are collateralized by real estate or other business assets become troubled and the value of the collateral has been significantly impaired, then we may not be able to recover the full contractual amount of principal and interest that we anticipated at the time we originated the loan, which could cause us to increase our provision for loan losses and would adversely affect our operating results.

Changes in interest rates may hurt our earnings and asset value.

Like other financial institutions, we are subject to interest rate risk. Our primary source of income is net interest income, which is the difference between interest earned on loans and investments (consisting primarily of loans and securities) and the interest paid on interest-bearing liabilities (consisting primarily of deposits and borrowings). Changes in both the general level of interest rates and in the difference between short-term and long-term rates can affect our net interest income. Interest rates are highly sensitive to many factors, including government monetary policies, domestic and international economic and political conditions and other factors beyond our control.

While we pursue an asset/liability strategy designed to mitigate our risk from changes in interest rates, including by seeking to originate variable rate loans and balancing the respective terms of assets and liabilities, changes in interest rates may still have a material adverse effect on our financial condition and results of operations. Changes in the level of interest rates also may negatively affect our ability to originate loans, the value of our assets and liabilities and our ability to realize gains from the sale of our assets, all of which could affect our earnings.

If our allowance for loan losses is not sufficient to cover actual loan losses, our earnings and capital could decrease.

At December 31, 2015, our allowance for loan losses totaled \$10.4 million, which represented 1.39% of gross loans. We make various assumptions and judgments about the collectability of our loan portfolio, including the creditworthiness of our borrowers and the value of the real estate and other assets serving as collateral for our loans. In determining the amount of the allowance for loan losses, we review our loss and delinquency experience, and we evaluate other factors including, among other things, current economic conditions. If our assumptions are incorrect, or if delinquencies or non-performing loans increase, our allowance for loan losses may not be sufficient to cover losses inherent in our loan portfolio, which would require additions to our allowance, and could decrease our net income or reduce our capital.

In addition, our regulators, as an integral part of their examination process, periodically review the allowance for loan losses and may require us to increase the allowance for loan losses by recognizing additional provisions for loan losses charged to expense, or to

charge off loans, which, net of any recoveries, would decrease the allowance for loan losses. Any such additional provisions for loan losses or charge-offs could have a material adverse effect on our financial condition and results of operations.

We rely on the accuracy and completeness of information about our customers and counterparties, and inaccurate or incomplete information could subject us to various risks.

In deciding whether to extend credit or enter into other transactions with our customers and counterparties, we may rely on information furnished by or on behalf of customers and counterparties, including financial statements and other financial information. We may also rely on representations as to the accuracy and completeness of such information and, with respect to financial statements, on reports of independent auditors.

While we strive to verify the accuracy and sufficiency of such information, if this information is inaccurate or incomplete, we may be subject to loan losses, regulatory action, reputational harm, or other adverse effects on the operation of our business, results of operations, or financial condition.

We depend on our management team to implement our business strategy and on our relationship managers to maintain and grow our agricultural and commercial relationships; we could be harmed by the loss of their services.

We are dependent upon the services and expertise of our founders and the other members of our management team who direct our strategy and operations, especially relating to our agricultural lending focus, and, we have benefited from our management's extensive banking knowledge and experience in this regard. We also rely heavily upon the talents, experience and customer relationships of our loan officers and have benefited from their expertise and relationship-building skills, especially with respect to our agricultural and commercial lending. Members of our executive management team and our seasoned loan officers could be difficult to replace. Our loss of the services of one or more of these persons, or our inability to hire additional qualified personnel, could impact our ability to implement our business strategy and could have a material adverse effect on our business and results of operations.

Limits on our ability to use brokered deposits as part of our funding strategy may adversely affect our ability to grow.

A "brokered deposit" is any deposit that is obtained from or through the mediation or assistance of a deposit broker, which includes larger correspondent banks and securities brokerage firms. These deposit brokers attract deposits from individuals and companies throughout the country and internationally whose deposit decisions are based almost exclusively on obtaining the highest interest rates. We have used brokered deposits in the past, and we intend to continue to use brokered deposits as one of our funding sources to support future growth. At December 31, 2015, brokered deposits represented approximately 24.5% of our total deposits and equaled \$164.6 million. There are risks associated with using brokered deposits. In order to continue to maintain our level of brokered deposits, we may be forced to pay higher interest rates than contemplated by our asset-liability pricing strategy. In addition, banks that become less than "well capitalized" under applicable regulatory capital requirements may be restricted in their ability to accept or prohibited from accepting brokered deposits. If this funding source becomes more difficult to access, we will have to seek alternative funding sources in order to continue to fund our growth. This may include increasing our reliance on the FHLB borrowings, attempting to attract non-brokered deposits, reducing our available for sale securities portfolio and selling loans. There can be no assurance that brokered deposits will be available or, if available, sufficient to support our continued growth.

A lack of liquidity could adversely affect our ability to fund operations and meet our obligations as they become due.

Liquidity is essential to our business. Liquidity risk is the potential that we will be unable to meet our obligations as they come due because of an inability to liquidate assets or obtain adequate funding. The primary sources of our

liquidity are customer deposits and loan repayments, in addition to borrowings. Our access to deposits and other funding sources in adequate amounts and on acceptable terms is affected by a number of factors, including rates paid by competitors, returns available to customers on alternative investments and general economic conditions. Any decline in available funding could adversely impact our ability to originate loans, invest in securities, meet our expenses, pay dividends to our shareholders, or to fulfill obligations such as repaying our borrowings or meeting deposit withdrawal demands, any of which could have a material adverse impact on our business, financial condition, results of operations and growth prospects.

We are dependent on our information technology and telecommunications systems and third-party service providers, and systems failures, interruptions or breaches of security could have a material adverse effect on our financial condition and results of operations and damage our reputation.

Our business is highly dependent on the successful and uninterrupted functioning of our information technology and telecommunications systems and third-party service providers. We outsource many of our major systems, such as data processing and

deposit processing systems. The failure of these systems, or the termination of a third-party software license or service agreement on which any of these systems is based, could interrupt our operations. Because our information technology and telecommunications systems interface with and depend on third-party systems, we could experience service denials if demand for such services exceeds capacity or such third-party systems fail or experience interruptions. If sustained or repeated, a system failure or service denial could result in a deterioration of our ability to provide customer service, compromise our ability to operate effectively, damage our reputation, result in a loss of customer business and/or subject us to additional regulatory scrutiny and possible financial liability, any of which could have a material adverse effect on our financial condition and results of operations.

In addition, we provide our customers the ability to bank remotely, including online over the internet. The secure transmission of confidential information is a critical element of remote banking. Our network could be vulnerable to unauthorized access, computer viruses, phishing schemes, spam attacks, human error, natural disasters, power loss and other security breaches. It is possible that we may not be able to detect security breaches on a timely basis, or at all, which could increase the costs and risks associated with any such breach. We may be required to spend significant capital and other resources to protect against the threat of security breaches and computer viruses, or to alleviate problems caused by these incidents. Further, we outsource some of the data processing functions used for remote banking, and accordingly we are dependent on the expertise and performance of our third-party providers. To the extent that our activities, the activities of our customers, or the activities of our third-party service providers involve the storage and transmission of confidential information, security breaches and viruses could expose us to claims, litigation and other possible liabilities. Any inability to prevent security breaches or computer viruses could also cause existing customers to lose confidence in our systems and could adversely affect our reputation, results of operations and ability to attract and maintain customers and businesses. In addition, a security breach could also subject us to additional regulatory scrutiny, expose us to civil litigation and possible financial liability and cause reputational damage, any or all of which could have a material adverse effect on our business.

We rely on other companies to provide certain key components of our business infrastructure.

Third-party service providers provide certain key components of our business infrastructure, such as data processing and deposit processing systems, mobile payment systems, internet connections, and network access. While we have selected these third-party service providers carefully, we do not control their operations. Any failure by these third parties to perform or provide agreed-upon goods and services for any reason or their poor performance of services could adversely affect our ability to deliver products and services to our customers and otherwise to conduct our business. Replacing these third-party service providers could also entail significant delay and expense.

We may face risks with respect to future acquisitions.

Following the integration of Fox River Valley, we may continue to attempt to expand our business in Wisconsin or other states through mergers and acquisitions. As with the merger with Fox River Valley, we anticipate that we will seek targets that are culturally similar to us, have experienced management and possess either significant market presence or have potential for improved profitability through economies of scale or expanded services. In addition to the general risks associated with our growth plans, acquiring other banks, businesses or branches involves various risks commonly associated with acquisitions, including, among other things, the risks with the Fox River Valley transaction and other possible risk such as:

- the time and costs associated with identifying and evaluating potential acquisition and merger targets;
- unexpected delays, complications or expenses resulting from regulatory approval requirements or other conditions to closing;
- inaccuracies in the estimates and judgments used to evaluate credit, operations, management and market risks with respect to the target institution;

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- the time and costs of evaluating new markets, hiring experienced local management, and the time lags between these activities and the generation of sufficient assets and deposits to support the costs of the expansion;
- our ability to finance an acquisition and possible dilution to our existing shareholders;
- the diversion of our management's attention to the negotiation of a transaction;
- the incurrence of an impairment of goodwill associated with an acquisition and adverse effects on our results of operations;

- entry into new markets where we lack experience; and
- risks associated with integrating the operations and personnel of the acquired business in a manner that permits growth opportunities and does not materially disrupt existing customer relationships or result in decreased revenues resulting from any loss of customers.

With respect to the risks particularly associated with the integration of an acquired business, we may encounter a number of difficulties, such as: (1) customer loss and revenue loss; (2) the loss of key employees; (3) the disruption of our operations and business; (4) our inability to maintain and increase competitive presence; (5) possible inconsistencies in standards, control procedures and policies; and/or (6) unexpected problems with costs, operations, personnel, technology and credit.

In addition to the risks posed by the integration process itself, the focus of management's attention and effort on integration may result in a lack of sufficient management attention to other important issues, causing harm to our business. Also, general market and economic conditions or governmental actions affecting the financial industry generally may inhibit our successful integration of an acquired business.

We expect to continue to evaluate merger and acquisition opportunities that are presented to us and conduct due diligence activities related to possible transactions with other financial institutions. As a result, merger or acquisition discussions and, in some cases, negotiations may take place and future mergers or acquisitions involving cash, debt or equity securities may occur at any time. We do not expect to comment publicly on possible acquisitions or business combinations until we have signed a definitive agreement for the transaction. Historically, acquisitions of non-failed financial institutions involve the payment of a premium over book and market values, and, therefore, some dilution of our book value and net income per share may occur in connection with any future transaction. Failure to realize the expected revenue increases, cost savings, increases in geographic or product presence and/or other projected benefits from an acquisition could have a material adverse effect on our business, financial condition, results of operations and growth prospects.

If we fail to successfully keep pace with technological change, our business could be materially adversely affected.

The financial services industry is continually undergoing rapid technological change with frequent introductions of new technology-driven products and services. The effective use of technology increases efficiency and enables financial institutions to better serve customers and to reduce costs. Our future success depends, in part, upon our ability to address the needs of our customers by using technology to provide products and services that will satisfy customer demands, as well as to create additional efficiencies in our operations. Failure to successfully keep pace with technological change affecting the financial services industry generally, and virtual banking in particular, could have a material adverse impact on our business and, in turn, our financial condition and results of operations.

Our disclosure controls and procedures may not prevent or detect all errors or acts of fraud.

Upon completion of our initial public offering, we became subject to the periodic reporting requirements of the Exchange Act. We designed our disclosure controls and procedures to reasonably assure that information we must disclose in reports we file or submit under the Exchange Act is accumulated and communicated to management, and recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC. We believe that any disclosure controls and procedures or internal controls and procedures, no matter how well-conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by an unauthorized override of the controls. Accordingly, because of the inherent limitations in our control system, misstatements due to error or fraud may occur and not be

detected and any failure or circumvention of our controls and procedures or failure to comply with regulations related to controls and procedures could have a material adverse effect on our business results of operations and financial condition.

If our risk management framework does not effectively identify or mitigate our risks, we could suffer losses.

Our risk management framework seeks to mitigate risk and appropriately balance risk and return. We have established processes and procedures intended to identify, measure, monitor and report the types of risk to which we are subject, including credit risk, operations risk, compliance risk, reputation risk, strategic risk, market risk and liquidity risk. We seek to monitor and control our risk exposure through a framework of policies, procedures, monitoring and reporting requirements. There may be risks that exist, or that

develop in the future, that we have not appropriately anticipated, identified or mitigated. If our risk management framework does not effectively identify or mitigate our risks, we could suffer unexpected losses and could be materially adversely affected.

We incur significant costs as a result of operating as a public company, and our management is required to devote substantial time to new compliance initiatives relating to our financial and accounting systems, procedures and controls in order to satisfy our new public company reporting requirements.

As a public company, we incur significant legal, accounting and other expenses that we did not incur as a private company, and these expenses may increase even more after we are no longer an “emerging growth company.” We have made, and will continue to make, changes to our internal controls and procedures for financial reporting and accounting systems to meet our reporting obligations as a stand-alone public company, and we expect that the obligations of being a public company, including the substantial public reporting obligations, will require significant expenditures and place additional demands on our management team. These obligations increase our operating expenses and could divert management’s attention from other aspects of our business. However, the measures we take may not be sufficient to satisfy our obligations as a public company. We are subject to the reporting requirements of the Exchange Act, the Sarbanes-Oxley Act, Dodd-Frank Act, as well as rules adopted, and to be adopted, by the SEC, and the NASDAQ Global Market, except for such requirements that we may elect not to comply with during the period we are an emerging growth company, which could require us to further upgrade our systems and/or hire additional staff, which would increase our operating costs. Our management and other personnel need to devote a substantial amount of time to these compliance initiatives. Moreover, we expect these rules and regulations to substantially increase our legal and financial compliance costs and to make some activities more time-consuming and costly. The increased costs may cause us to incur losses. We cannot predict or estimate the amount or timing of additional costs we may incur to respond to these requirements. The impact of these requirements could also make it more difficult for us to attract and retain qualified persons to serve on our board of directors, our board committees or as executive officers.

Risks Related to Our Industry

Financial reform legislation will result in new regulations that are expected to increase our costs of operations.

We are subject to extensive regulation, supervision and examination by the Federal Reserve, the FDIC and the WDFI. Any change in such regulation and oversight, whether in the form of regulatory policy, regulations or legislation, could have a material impact on us and our operations.

The Dodd-Frank Act was enacted on July 21, 2010. The Dodd-Frank Act represented a significant overhaul of many aspects of the regulation of the financial-services industry. Among other things, the Dodd-Frank Act created a new federal CFPB, tightened capital standards, and generally increased oversight and regulation of financial institutions and financial activities.

In addition to the self-implementing provisions of the statute, the Dodd-Frank Act calls for more than 300 administrative rulemakings by various federal agencies to implement various parts of the legislation. While some rules have been finalized or issued in proposed form, many have yet to be proposed. It is impossible to predict when additional rules will be issued or finalized, and what the content of such rules will be. We will have to apply resources to ensure that we are in compliance with all applicable provisions of the Dodd-Frank Act and any implementing rules, which may increase our costs of operations and adversely impact our earnings. The Dodd-Frank Act and any implementing rules that are ultimately issued could have adverse implications on the financial industry, the

competitive environment, and/or our ability to conduct business.

We will become subject to more stringent capital requirements, which may adversely impact our return on equity or constrain us from paying dividends or repurchasing shares.

In July 2013, each of the U.S. federal banking agencies adopted final rules implementing the recommendations of the International Basel Committee on Bank Supervision to strengthen the regulatory capital requirements of all banking organizations in the United States. The Basel III Rule will replace the existing regulatory capital rules for all banks, savings associations and U.S. bank holding companies, other than “small bank holding companies” (generally bank holding companies with consolidated assets of less than \$1 billion which are not publicly traded companies), and all savings and loan holding companies. The Basel III Rule became effective for the Company and Bank on January 1, 2015, and the rules will be fully phased-in by January 1, 2019.

The Basel III Rule creates a new regulatory capital standard based on Tier 1 common equity and increases the minimum leverage and risk-based capital ratios applicable to all banking organizations. The Basel III Rule also changes how a number of the regulatory capital components are calculated. Any significant increase in our capital requirements could reduce our growth and profitability and materially adversely affect our business, financial condition, results of operations and growth prospects. For more

information about the regulations to which we are subject, see the section of this Form 10-K entitled “Business – Supervision and Regulation.”

Our growth or future losses may require us to raise additional capital in the future, but that capital may not be available when it is needed or the cost of that capital may be very high.

We are required by our regulators to maintain adequate levels of capital to support our operations. We believe the net proceeds that we raised in our initial public offering are sufficient to permit us to maintain regulatory capital compliance after the merger transaction and for the foreseeable future. Nonetheless, we may at some point need to raise additional capital to support continued growth or to address losses.

Our ability to raise additional capital, if needed, will depend on conditions in the capital markets at that time, which are outside of our control, and on our financial condition and performance. Accordingly, we may not be able to raise additional capital if needed on terms that are acceptable to us, or at all. If we cannot raise additional capital when needed, our operations and our financial condition could be materially and adversely affected. In addition, if we are unable to raise additional capital if required by the Federal Reserve, we may be subject to adverse regulatory action.

Increased FDIC insurance assessments could significantly increase our expenses.

The Bank’s deposits are insured by the FDIC up to legal limits and, accordingly, the Bank is subject to FDIC deposit insurance assessments. We generally cannot control the amount of premiums the Bank will be required to pay for FDIC insurance. The FDIC recently increased the deposit insurance fund’s target reserve ratio to 2.0% of insured deposits following the Dodd-Frank Act’s elimination of the 1.5% cap on the insurance fund’s reserve ratio and has put in place a restoration plan to restore the deposit insurance fund to its 1.35% minimum reserve ratio mandated by the Dodd-Frank Act by September 30, 2020. Additional increases in assessment rates may be required in the future to achieve this targeted reserve ratio. In addition, higher levels of bank failures in recent years and increases in the statutory deposit insurance limits have increased resolution costs to the FDIC and put pressure on the deposit insurance fund. The Bank may be required to pay even higher FDIC insurance premiums than the recently increased levels, or the FDIC may charge additional special assessments. Future increases of FDIC insurance premiums or special assessments could have a material adverse effect on our business, financial condition or results of operations.

We face a risk of noncompliance with and enforcement actions under the Bank Secrecy Act and other anti-money laundering statutes and regulations.

We maintain systems and procedures designed to ensure that we comply with applicable laws and regulations. The federal Bank Secrecy Act, the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, or the PATRIOT Act, and other laws and regulations require financial institutions, among other duties, to institute and maintain effective anti-money laundering programs and file suspicious activity and currency transaction reports as appropriate. The federal Financial Crimes Enforcement Network, established by the U.S. Treasury to administer the Bank Secrecy Act, is authorized to impose significant civil money penalties for violations of those requirements and has recently engaged in coordinated enforcement efforts with the individual federal banking regulators, as well as the U.S. Department of Justice, Drug Enforcement Administration and Internal Revenue Service. Federal and state bank regulators also have begun to focus on compliance with Bank Secrecy Act and anti-money laundering regulations. If our policies, procedures and systems are deemed deficient, we would be subject to liability, including fines and regulatory actions such as restrictions on our ability to pay dividends and the necessity to obtain regulatory approvals to proceed with certain aspects of our business plan, including future acquisition plans, which would negatively impact our business, financial condition and

results of operations. Failure to maintain and implement adequate programs to combat money laundering and terrorist financing could also have serious reputational consequences for us.

Changes in accounting standards and policies may negatively affect our performance.

Our accounting policies and methods are fundamental to how we record and report our financial condition and results of operations. From time to time there are changes in the financial accounting and reporting standards that govern the preparation of our financial statements. These changes can be difficult to predict and can materially impact how we report and record our financial condition and results of operations. In some cases, we could be required to apply a new or revised accounting standard retroactively, which could have a negative impact on our reported results.

Our ability to pay dividends is dependent upon the Bank's performance.

The Company's only source of funds to pay dividends is dividends or other distributions it may receive directly from the Bank. The Company's payment of dividends in the future, if any, will be subject to legal, regulatory and contractual restrictions (including with respect to junior subordinated debentures (and related trust preferred securities ("TruPS")), which are senior to our shares of preferred and common stock and have a preference on dividends), and will also depend on the Bank's earnings, capital requirements, financial condition and other factors considered relevant by our board of directors. Dividends are payable on shares at the discretion of our board of directors, subject to the provisions of the Wisconsin Business Corporation Law, and any regulatory restrictions.

We are subject to examinations and challenges by tax authorities that may be costly and time-consuming and may require expensive remedial action or other costs.

In the normal course of business, the Company and the Bank are routinely subject to examinations and challenges from federal and state tax authorities regarding the amount of taxes due in connection with investments that both entities have made and the businesses in which they have engaged. Federal and state taxing authorities have over the past few years become increasingly aggressive in challenging tax positions taken by financial institutions. These tax positions may relate to tax compliance, sales and use, franchise, gross receipts, payroll, property and income tax issues, including tax base, apportionment and tax credit planning. The challenges made by tax authorities may result in adjustments to the timing or amount of taxable income or deductions or the allocation of income among tax jurisdictions. If not resolved in our favor, such challenges could have an adverse effect on our financial condition and results of operations.

Risks Related to the Merger

County may be unable to successfully integrate Fox River Valley's operations and may not realize the anticipated benefits of acquiring Fox River Valley.

County and Fox River Valley entered into the merger agreement with the expectation that County would be able to successfully integrate Fox River Valley's operations and that the merger would result in various benefits, including, among other things, enhanced revenues and revenue synergies, an expanded market reach and operating efficiencies. Achieving the anticipated benefits of the merger is subject to a number of uncertainties, and involve a number of risks, any of which could adversely affect, County's business, including:

- difficulties in integrating Fox River Valley's operations, technologies, products, existing contracts, accounting processes and personnel and realizing the anticipated synergies of the combined businesses;
- difficulties in supporting and transitioning Fox River Valley's customers;
 - diversion of financial and management resources from existing operations;
- potential loss of key employees, customers and strategic alliances from either Fox River Valley's or County's current business;

- assumption of unanticipated problems or latent liabilities; and

- inability to generate sufficient revenue to offset acquisition costs.

Among the factors considered by the boards of directors of County and Fox River Valley in connection with their respective approvals of the merger agreement were the benefits that could result from the merger. County cannot give any assurance that these benefits will be realized within the time periods contemplated or even that they will be realized at all.

Fox River Valley will be subject to business uncertainties while the merger is pending, which could adversely affect its business.

Uncertainty about the effect of the merger on employees and customers may have an adverse effect on Fox River Valley, and, consequently, the combined company. Although Fox River Valley intends to take steps to reduce any adverse effects, these uncertainties may impair Fox River Valley's ability to attract, retain and motivate key personnel until the merger is consummated and for a period of time thereafter, and could cause customers and others that deal with Fox River Valley to seek to change their existing business relationships with Fox River Valley. Employee retention at Fox River Valley's subsidiary bank may be challenging during the pendency of the merger, as employees may experience uncertainty about their roles with the bank or within the combined company following the merger.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

The Bank owns its headquarters in Manitowoc, Wisconsin and leases its other locations. The following table provides information related to its leased locations:

| Location | Function | Lease Expiration Year |
|-------------------|-------------------------------|-----------------------------|
| Stevens Point, WI | Full service banking location | 2016 |
| Darlington, WI | Loan production office | 2016 |
| Eau Claire, WI | Loan production office | 2016 |
| Fond du Lac, WI | Loan production office | 2017 |
| Sheboygan, WI | Loan production office | 2016 |

In 2015, the Bank began construction on a new a branch in Stevens Point, and construction was completed in February 2016.

ITEM 3. LEGAL PROCEEDINGS

From time to time, we are subject to certain legal proceedings and claims in the ordinary course of business. We are not presently party to, nor is any of our property the subject of, any legal proceedings, other than ordinary routine litigation incidental to our business, the resolution of which we believe would have a material adverse effect on our business, financial condition, operating results or cash flows. We establish reserves for specific legal matters when we determine that the likelihood of an unfavorable outcome is probable and the loss is reasonably estimable.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED SHAREHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

Our common stock is listed on the NASDAQ Global Market under the ticker symbol "ICBK." Our common stock was initially offered and sold to the public on January 16, 2015 at an initial price of \$15.75 per share and has been publicly traded since that date. Prior to that date, there was no public market in our common stock. The table below shows, for the quarters indicated, the reported high and low sales prices of our common stock during the periods indicated, beginning on January 16, 2015, the first date of trading on NASDAQ, and the cash dividends paid per share.

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| | High | Low | Dividends Paid |
|--|---------|---------|-------------------|
| Year ended December 31, 2015 (beginning January 16, 2015): | | | |
| Fourth quarter | \$24.20 | \$17.82 | \$ 0.04 |
| Third quarter | 20.00 | 16.46 | 0.04 |
| Second quarter | 20.33 | 17.90 | 0.04 |
| First quarter | 21.70 | 15.20 | 0.04 |

Holders

We had approximately 320 shareholders of record at March 23, 2016. The number of shareholders does not reflect persons or entities that hold their stock in nominee or “street” name through various brokerage firms.

Dividends

We pay quarterly dividends on our common stock, and in 2015 our Board of Directors declared dividends totaling \$0.16 per share. On February 16, 2016, our Board of Directors declared a quarterly dividend totaling \$0.05 per share for shareholders of record as of February 26, 2016.

Although we expect to pay dividends according to our dividend policy as of the date of this report, we may elect not to pay dividends. Any declarations of dividends will be at the discretion of our board of directors. In determining the amount of any future dividends, our board of directors will take into account: (i) our financial results; (ii) our available cash, as well as anticipated cash requirements (including debt servicing); (iii) our capital requirements and the capital requirements of our subsidiaries (including the Bank); (iv) contractual, legal, tax and regulatory restrictions on, and implications of, the payment of dividends by us to our shareholders or by the Bank to us; (v) general economic and business conditions; and (vi) any other factors that our board of directors may deem relevant. Therefore, there can be no assurance that we will pay any dividends to holders of our stock, or as to the amount of any such dividends.

Dividends we can declare and pay will depend primarily upon receipt of dividends from the Bank. See the section of this report entitled “Supervision and Regulation—Regulation of the Bank—Dividends Payment” under Item 1, Business, of Part I. In addition, our ability to pay dividends currently or in the future may be materially limited by statutory or regulatory restrictions, and is subject to certain default provisions of our TruPS.

Use of Proceeds from Public Offering of Common Stock

On January 22, 2015, we closed our initial public offering (“IPO”), in which we offered 1,357,000 shares of common stock for gross proceeds of \$21.4 million. Of the 1,357,000 shares sold, 1,210,750 shares were sold by the Company (including 177,000 shares subject to the underwriters’ over-allotment option, which was exercised in full on January 16, 2015) and 146,250 shares were sold by certain selling shareholders. The Company did not receive any proceeds from the sale of shares by the selling shareholders. The offer and sale of all shares of the IPO were registered under the Securities Act of 1933, as amended, pursuant to a registration statement on Form S-1 (File No. 333-200081), which was declared effective by the SEC on January 15, 2015. Robert W. Baird & Co. Incorporated and Sterne, Agee & Leach, Inc. served as joint book-running managers for the offering.

The net proceeds from our IPO were approximately \$16.9 million (including the exercise of the underwriters’ over-allotment option) after deducting underwriting discounts and commissions of approximately \$1.2 million and other offering expenses of approximately \$1.0 million for total expenses of approximately \$2.2 million. As described in our final prospectus filed with the SEC on January 16, 2015 pursuant to Rule 424(b) under the Exchange Act, we intended to use the proceeds from our IPO to redeem the SBLF Preferred Stock and to provide additional working capital for the Company to service its ongoing overhead and interest expense. On February 23, 2016, we redeemed all 15,000 shares of SBLF Preferred Stock at its liquidation value of \$1,000 per share plus accrued dividends, for a total redemption amount of \$15,021,667. In addition, we have used the remainder of the proceeds to provide additional working capital for the Company to service its ongoing overhead and interest expense.

Recent Sales of Unregistered Securities

None.

Repurchases of Equity Securities

The following repurchases took place during the fourth quarter of 2015:

| Period | Total Number of Shares | Average Price Paid per Share | Total Number of Shares Purchased as | Maximum Number of Shares that may yet be |
|--------|------------------------------|---------------------------------------|--|---|
|--------|------------------------------|---------------------------------------|--|---|

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| | Purchased | | Part of Publically Announced Plans or Programs | Purchased under the Plans or Programs | |
|-----------------------|----------------------|-------|--|---------------------------------------|---------------|
| | | | | | (in millions) |
| October 1 - 31, 2015 | — | \$ — | — | \$ — | — |
| November 1 - 30, 2015 | 5,488 ⁽¹⁾ | 18.62 | — | — | — |
| December 1 - 31, 2015 | — | — | — | — | — |

(1) Repurchase done pursuant to a cashless exercise of incentive stock options

ITEM 6. SELECTED FINANCIAL DATA

FOUR YEAR SELECTED CONSOLIDATED FINANCIAL DATA

| | For the Year Ended December 31, | | | | | | | |
|---|---|-----------|-----------|-----------|-------|---|-------|---|
| | 2015 | 2014 | 2013 | 2012 | | | | |
| | (dollars in thousands, except per share data) | | | | | | | |
| Selected Income Statement Data: | | | | | | | | |
| Interest income | \$33,767 | \$30,897 | \$31,972 | \$33,801 | | | | |
| Interest expense | 7,520 | 7,537 | 8,513 | 9,663 | | | | |
| Net interest income | 26,247 | 23,360 | 23,459 | 24,138 | | | | |
| Provision for loan losses | (1,019) | 589 | 4,200 | 4,200 | | | | |
| Net interest income after provision for (recovery of) loan losses | 27,266 | 22,771 | 19,259 | 19,938 | | | | |
| Non-interest income | 7,685 | 7,148 | 8,857 | 7,501 | | | | |
| Non-interest expense | 17,458 | 17,025 | 16,964 | 15,204 | | | | |
| Income tax expense | 6,519 | 4,684 | 4,140 | 4,601 | | | | |
| Net income | \$10,974 | \$8,210 | \$7,012 | \$7,634 | | | | |
| Per Common Share Data: | | | | | | | | |
| Basic | \$1.85 | \$1.73 | \$1.45 | \$1.56 | | | | |
| Diluted | \$1.82 | \$1.69 | \$1.43 | \$1.53 | | | | |
| Cash dividends per common share | \$0.16 | \$— | \$— | \$— | | | | |
| Book value per share | \$17.16 | \$16.01 | \$14.28 | \$13.02 | | | | |
| Weighted average common shares - basic | 5,664,678 | 4,469,450 | 4,518,830 | 4,593,190 | | | | |
| Weighted average common shares - diluted | 5,777,802 | 4,580,917 | 4,609,913 | 4,674,300 | | | | |
| Common shares outstanding, end of period | 5,771,001 | 4,498,790 | 4,468,820 | 4,518,750 | | | | |
| Selected Balance Sheet Data (at period end): | | | | | | | | |
| Total assets | \$884,889 | \$771,756 | \$757,820 | \$755,237 | | | | |
| Securities | 83,281 | 81,282 | 73,007 | 62,098 | | | | |
| Total loans | 748,189 | 648,122 | 569,138 | 613,490 | | | | |
| Allowance for loan losses | (10,405) | (10,603) | (10,495) | (12,521) | | | | |
| Total deposits | 672,226 | 605,469 | 616,308 | 612,819 | | | | |
| Other borrowings and FHLB advances | 70,390 | 51,857 | 36,169 | 43,396 | | | | |
| Subordinated debentures | 12,372 | 12,372 | 12,372 | 12,372 | | | | |
| Total shareholders' equity | 107,024 | 80,043 | 71,809 | 65,851 | | | | |
| Performance Ratios: | | | | | | | | |
| Return on average assets | 1.35 | % | 1.10 | % | 0.94 | % | 1.09 | % |
| Return on average common shareholders' equity ⁽¹⁾ | 11.27 | % | 11.37 | % | 10.47 | % | 12.74 | % |
| Net interest margin | 3.36 | % | 3.29 | % | 3.35 | % | 3.59 | % |
| Interest rate spread | 3.13 | % | 3.07 | % | 3.15 | % | 3.35 | % |
| Non-interest income to average assets | 0.95 | % | 0.96 | % | 1.19 | % | 1.07 | % |
| Non-interest expense to average assets | 2.15 | % | 2.28 | % | 2.24 | % | 2.16 | % |
| Net overhead ratio ⁽²⁾ | 1.20 | % | 1.32 | % | 1.05 | % | 1.10 | % |
| Efficiency ratio ⁽¹⁾ | 49.95 | % | 50.99 | % | 47.43 | % | 50.00 | % |
| Dividend payout ratio | 8.79 | % | — | | — | | — | |

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Asset Quality Ratios:

| | | | | | | | | |
|---|--------|----|-------|---|--------|---|--------|---|
| Nonperforming loans to total loans | 3.29 | % | 1.78 | % | 1.06 | % | 1.83 | % |
| Allowance for loan losses to: | | | | | | | | |
| Total loans | 1.39 | % | 1.64 | % | 1.84 | % | 2.04 | % |
| Nonperforming loans | 42.33 | % | 91.76 | % | 173.30 | % | 111.67 | % |
| Net charge-offs (recoveries) to average loans | (0.12) |)% | 0.08 | % | 1.05 | % | 0.13 | % |
| Nonperforming assets to total assets ⁽³⁾ | 3.10 | % | 2.42 | % | 2.92 | % | 2.88 | % |

Capital Ratios:

| | | | | | | | | |
|---------------------------------------|-------|---|-------|---|-------|---|-------|---|
| Shareholders' common equity to assets | 11.19 | % | 9.33 | % | 8.42 | % | 7.79 | % |
| Tier 1 risk-based capital (Bank) | 13.94 | % | 15.51 | % | 16.18 | % | 14.32 | % |
| Total risk-based capital (Bank) | 15.19 | % | 16.77 | % | 17.44 | % | 15.58 | % |
| Tier 1 Common Equity Ratio (Bank) | 13.94 | % | N/A | | N/A | | N/A | |
| Leverage ratio (Bank) | 13.29 | % | 13.96 | % | 12.81 | % | 12.31 | % |

30

- (1) The return on average common shareholders' equity and the efficiency ratio are not recognized under generally accepted accounting principles of the United States, or GAAP, and are therefore considered to be non-GAAP financial measures. See below for reconciliations of the return on average common shareholders' equity and the efficiency ratio to their most comparable GAAP measures.
- (2) Net overhead ratio represents the difference between noninterest expense and noninterest income, divided by average assets.
- (3) Non-performing assets consist of nonaccrual loans and other real estate owned.

Non-GAAP Financial Measures:

"Efficiency ratio" is defined as non-interest expenses, excluding gains and losses, and writedown of other real estate owned, divided by operating revenue, which is equal to net interest income plus non-interest income excluding gains and losses on sales of securities. In our judgment, the adjustments made to non-interest expense allow investors to better assess our operating expenses in relation to our core operating revenue by removing the volatility that is associated with certain one-time items and other discrete items that are unrelated to our core business.

| | For the Year Ended December 31, | | | |
|--|---------------------------------|----------|----------|----------|
| | 2015 | 2014 | 2013 | 2012 |
| Efficiency Ratio GAAP to Non-GAAP reconciliation: | | | | |
| Non-interest expense | \$17,458 | \$17,025 | \$16,964 | \$15,204 |
| Less: net gain (loss) on sales and write-downs of OREO | (510) | (1,468) | (1,636) | 440 |
| Adjusted non-interest expense (non-GAAP) | \$16,948 | \$15,557 | \$15,328 | \$15,644 |
| | | | | |
| Net interest income | \$26,247 | \$23,360 | \$23,459 | \$24,138 |
| Non-interest income | 7,685 | 7,148 | 8,857 | 7,501 |
| Less: net securities losses | — | — | — | (354) |
| Operating revenue | \$33,932 | \$30,508 | \$32,316 | \$31,285 |
| Efficiency ratio | 49.95 % | 50.99 % | 47.43 % | 50.00 % |

Return on average common shareholders' equity is a non-GAAP financial measure calculated using non-GAAP based amounts. The most directly comparable GAAP based measure is return on average shareholders' equity. We calculate return on average common shareholders' equity by excluding the average preferred shareholders' equity and the related dividends. Management uses the return on average common shareholders' equity in order to review our core operating results. Management believes that this is a better measure of our performance.

| | For the Year Ended December 31, | | | |
|--|---------------------------------|--------|--------|--------|
| | 2015 | 2014 | 2013 | 2012 |
| Return on Average Common | | | | |
| Shareholders' Equity GAAP | | | | |
| to Non-GAAP reconciliation: | | | | |
| Return on average common shareholders' equity | | | | |
| Return on average shareholders' equity | 9.45 % | 9.02 % | 8.24 % | 9.64 % |
| Effect of excluding average preferred shareholders' equity | 1.82 % | 2.35 % | 2.23 % | 3.10 % |

| | | | | |
|---|--------|--------|--------|--------|
| Return on average common shareholders' equity | 11.27% | 11.37% | 10.47% | 12.74% |
|---|--------|--------|--------|--------|

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with our consolidated financial statements and related notes thereto included elsewhere in this Form 10-K. The following discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause such differences are discussed in the sections titled "Forward-Looking Statements" and "Risk Factors."

General

The following discussion and analysis presents our financial condition and results of operations on a consolidated basis. However, because we conduct all of our material business operations through the Bank, the discussion and analysis relates to activities primarily conducted at the Bank.

Executive Overview

We are the holding company for Investors Community Bank, which is headquartered in Manitowoc, Wisconsin. Our results of operations depend primarily on our net interest income. Net interest income is the difference between the interest income we earn on our interest-earning assets, such as loans, and the interest we pay on interest-bearing liabilities, such as deposits. We generate most of our revenue from interest on loans and investments and loan- and deposit-related fees. Our loan portfolio consists of a mix of agricultural, commercial real estate, commercial and industrial, multi-family and construction, residential real estate and consumer loans. Our primary source of funding is deposits. Our largest expenses are interest on these deposits and salaries and related employee benefits. We measure our performance through various metrics, including our pre-tax net income, net interest margin, efficiency ratio, return on average assets, return on average common shareholders' equity, earnings per share, and non-performing assets to total assets. We must also maintain appropriate regulatory leverage and risk-based capital ratios. The following table sets forth the key financial metrics we use to measure our performance.

| | For the Year Ended December 31, | | | |
|--|---------------------------------|----------|----------|----------|
| | 2015 | 2014 | 2013 | 2012 |
| | (dollars in thousands) | | | |
| Pre-tax income | \$17,493 | \$12,894 | \$11,152 | \$12,235 |
| Net interest margin | 3.36 % | 3.29 % | 3.35 % | 3.59 % |
| Efficiency ratio ⁽¹⁾ | 49.95 % | 50.99 % | 47.43 % | 50.00 % |
| Return on average assets | 1.35 % | 1.10 % | 0.94 % | 1.09 % |
| Return on average common shareholders' equity ⁽¹⁾ | 11.27 % | 11.37 % | 10.47 % | 12.74 % |
| Basic earnings per share | \$1.85 | \$1.73 | \$1.45 | \$1.56 |
| Diluted earnings per share | \$1.82 | \$1.69 | \$1.43 | \$1.53 |
| Non-performing asset to total assets ⁽²⁾ | 3.10 % | 2.42 % | 2.92 % | 2.88 % |

(1) This measure is not recognized under GAAP and is therefore considered to be a non-GAAP financial measure. See "Four Years Selected Consolidated Financial Data" for a reconciliation of this measure to its most directly comparable GAAP measure.

(2) Non-performing assets consist of nonaccrual loans and other real estate owned.

Critical Accounting Policies and Estimates

Certain of our accounting policies are important to the portrayal of our financial condition, since they require management to make difficult, complex or subjective judgments, some of which may relate to matters that are inherently uncertain. Estimates associated with these policies are susceptible to material changes as a result of changes in facts and circumstances. Facts and circumstances which could affect these judgments include, but are not limited to, changes in interest rates, changes in the performance of the economy and changes in the financial condition of borrowers. Our significant accounting policies are discussed in detail in Note 1 to our Consolidated Financial Statements included elsewhere in this Form 10-K. Those significant accounting policies that we consider to be most critical are described below. Our policies with respect to the methodology for the determination of the allowance for loan losses, OREO and fair value of financial instruments involves a degree of complexity and requires management to make difficult and subjective judgments which often require assumptions or estimates about highly uncertain matters. Changes in these judgments, assumptions or estimates could materially impact results of operations. These critical policies and their application are reviewed with the board of directors annually and prior to any change in policy.

Allowance for Loan Losses

The allowance for loan losses is established through a provision for loan losses charged to expense, which affects our earnings directly. Loans are charged against the allowance for loan losses when management believes that the collectability of all or some of the principal is unlikely. Subsequent recoveries are added to the allowance. The allowance is an amount that reflects management's estimate of the level of probable incurred losses in the loan portfolio. Factors considered by management in determining the adequacy of the allowance include, but are not limited to, detailed reviews of individual loans, historical and current trends in loan charge-offs for the various portfolio segments evaluated, the level of the allowance in relation to total loans and to historical loss levels, levels and trends in non-performing and past due loans, volume of and migratory direction of adversely graded loans, external factors including regulatory requirements, reputation, and competition, and management's assessment of economic conditions. Our board of directors reviews the recommendations of management regarding the appropriate level for the allowance for loan losses based upon these factors.

The provision for loan losses is the charge to operating earnings necessary to maintain an adequate allowance for loan losses. We have developed policies and procedures for evaluating the overall quality of our loan portfolio and the timely identification of problem credits. Management continuously reviews these policies and procedures and makes further improvements as needed. The adequacy of our allowance for loan losses and the effectiveness of our internal policies and procedures are also reviewed periodically

by our regulators and our auditors and external loan review personnel. Our regulators may advise us to recognize additions to the allowance based upon their judgments about information available to them at the time of their examination. Such regulatory guidance is taken under consideration by management, and we may recognize additions to the allowance as a result.

We continually refine our methodology for determining the allowance for loan losses by comparing historical loss ratios utilized to actual experience and by classifying loans for analysis based on similar risk characteristics. Cash receipts for accruing loans are applied to principal and interest under the contractual terms of the loan agreements; however, cash receipts on impaired and nonaccrual loans for which the accrual of interest has been discontinued are applied to principal and interest income depending upon the overall risk of principal loss to us.

Other Real Estate Owned

Assets acquired through or in lieu of loan foreclosure are initially recorded at lower of cost or fair value less estimated costs to sell, establishing a new cost basis. Subsequent to foreclosure, independent valuations are performed annually and the assets are carried at the lower of carrying amount or fair value less estimated costs to sell. Revenue and expenses from operations and changes in the valuation allowance are included in other non-interest expense. Costs related to the development and improvement of real estate owned is capitalized.

Fair Value of Financial Instruments

A significant portion of the Company's assets are financial instruments carried at fair value. This includes securities available for sale and certain impaired loans. The majority of assets carried at fair value are based on either quoted market prices or market prices for similar instruments. See Note 19 "Fair Value Measurements" in the "Notes to Consolidated Financial Statements" herein for additional disclosures regarding the fair value of financial instruments.

JOBS Act Transition Period

The JOBS Act provides that an emerging growth company can take advantage of an extended transition period for complying with new or revised accounting standards. Thus, an emerging growth company can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have elected to avail ourselves of this extended transition period.

Merger Agreement

On November 19, 2015, the Company and County Acquisition LLC entered into an Agreement and Plan of Merger (the "Merger Agreement") with Fox River Valley Bancorp, Inc. ("Fox River Valley"), pursuant to which the Company will acquire Fox River Valley and its wholly-owned bank subsidiary, The Business Bank.

The Company and Fox River Valley filed with the Securities and Exchange Commission (the "SEC") a registration statement on Form S-4, which included a proxy statement/prospectus, which became effective on January 29, 2016. Fox River Valley called a special shareholder meeting and approved the merger on March 17, 2016.

Merger Consideration. Pursuant to the terms and subject to the conditions set forth in the Merger Agreement, County has agreed to pay \$28.9 million dollars in the form of 50% cash and 50% common stock of the Company. The merger consideration is subject to downward adjustment if Fox River Valley's adjusted equity is below a certain threshold.

Board of Directors. Upon consummation of the merger, the makeup of the board of directors will expand to include two new directors who sat on the board of Fox River Valley.

Closing Conditions. Consummation of the Merger is subject to certain mutual closing conditions, including, without limitation, (i) the approval of the merger by the shareholders of Fox River Valley; (ii) the registration statement on Form S-4 shall become effective; (iii) the absence of any legal proceeding prohibiting the Merger; and (iv) the receipt of all required regulatory approvals.

In addition to these mutual conditions, each party's obligation to consummate the Merger is subject to certain other conditions, including, without limitation, (i) the accuracy of each party's representations and warranties; and (ii) each party's compliance with its covenants and agreements contained in the Merger Agreement.

Representations, Warranties and Covenants. The Merger Agreement includes detailed representations, warranties and covenant provisions that are customary for transactions of this type.

Termination. The Merger Agreement contains certain termination rights for both County and Fox River Valley, including, among others, the right to terminate, by either party, (i) if required regulatory approvals are not obtained; (ii) if the merger is not consummated on or before June 30, 2016; (iii) upon a breach by either County or Fox River Valley of their respective representations, warranties, covenants or other agreements contained in the Merger Agreement; or (iv) if County or Fox River Valley becomes subject to a law or order that prevents the merger from being consummated.

The foregoing description of the Merger Agreement does not purport to be complete and is qualified in its entirety by reference to the full text of the Merger Agreement, a copy of which is filed as Exhibit 2.1 to our Current Report on Form 8-K filed on November 20, 2015.

The representations and warranties set forth in the Merger Agreement have been made solely for the benefit of the parties to the Merger Agreement. In addition, such representations and warranties (i) have been made only for the purpose of the Merger Agreement; (ii) have been qualified by the disclosures made to the other party in connection with the Merger Agreement; (iii) are subject to materiality qualifications contained in the Merger Agreement, which may differ from what may be viewed as material by investors; and (iv) have been included in the Merger Agreement for the purpose of allocating risk between the contracting parties and not for purpose of establishing such matters as facts. Based upon the foregoing reasons, you should not rely on the representations and warranties as statements of factual information. Investors should read the Merger Agreement together with the other information concerning County that it publicly files in reports and statements with the SEC.

Comparison of Financial Condition at December 31, 2015, 2014, and 2013

Total Assets. Total assets increased \$113.1 million, or 14.66%, from \$771.8 million at December 31, 2014 to \$884.9 million at December 31, 2015. The increase was primarily the result of loan growth of \$100.1 million, an increase of loans held for sale of \$5.1 million, and an increase of cash and due from banks of \$4.4 million.

Total assets increased \$14.0 million, or 1.85%, from \$757.8 million at December 31, 2013 to \$771.8 million at December 31, 2014. Loan increases of \$78.9 million during the year were offset by a decrease in cash and due from banks of \$61.3 million, limiting growth in total assets.

Net Loans. Total net loans increase by \$100.3 million, or 15.7%, from \$637.5 million at December 31, 2014 to \$737.8 million at December 31, 2015. The increase is attributed to a 20.3% growth in our agricultural portfolio and 17.6% increase in our commercial real estate loan portfolio, offset by small decreases in our commercial, residential real estate, and consumer loans.

Total net loans increased by \$78.9 million, or 14.1%, from \$558.6 million at December 31, 2013 to \$637.5 million at December 31, 2014. The increase in loans was due primarily to strong growth in the agricultural and commercial real estate loan portfolios and reduced loan sale activity.

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The following table sets forth the composition of our loan portfolio at the dates indicated:

| | As of December 31, 2015 | | 2014 | | 2013 | | 2012 | | 2011 | |
|--------------------------------|----------------------------|---------|-----------|---------|-----------|---------|-----------|---------|-----------|---------|
| | Amount | Percent | Amount | Percent | Amount | Percent | Amount | Percent | Amount | Percent |
| | (dollars in thousands) | | | | | | | | | |
| Agriculture loans | \$499,320 | 66.8 % | \$415,164 | 64.1 % | \$375,240 | 65.9 % | \$381,893 | 62.3 % | \$317,486 | 55.2 % |
| Commercial real estate loans | 161,741 | 21.6 % | 137,517 | 21.2 % | 102,645 | 18.0 % | 123,499 | 20.1 % | 134,791 | 23.4 % |
| Commercial loans | 51,978 | 6.9 % | 53,745 | 8.3 % | 51,008 | 9.0 % | 57,928 | 9.4 % | 55,560 | 9.7 % |
| Residential real estate loans | 34,631 | 4.6 % | 40,885 | 6.3 % | 39,901 | 7.0 % | 49,050 | 8.0 % | 66,252 | 11.5 % |
| Installment and consumer other | 519 | 0.1 % | 811 | 0.1 % | 344 | 0.1 % | 1,120 | 0.2 % | 973 | 0.2 % |
| Total gross loans | \$748,189 | 100.0% | \$648,122 | 100.0% | \$569,138 | 100.0% | \$613,490 | 100.0% | \$575,062 | 100.0% |
| Allowance for loan losses | (10,405) | | (10,603) | | (10,495) | | (12,521) | | (9,090) | |
| Loans, net | \$737,784 | | \$637,519 | | \$558,643 | | \$600,969 | | \$565,972 | |

The following table sets forth loan origination activity:

| | As of December 31, | | | |
|--|------------------------|-----------|-----------|-----------|
| | 2015 | 2014 | 2013 | 2012 |
| | (dollars in thousands) | | | |
| Total loans: | | | | |
| Balance, beginning of period | \$648,122 | \$569,138 | \$613,490 | \$575,061 |
| Loan originations, net of repayments | 170,144 | 96,117 | 38,269 | 91,835 |
| Less: Loans sold, net of repayments | (66,640) | (15,165) | (51,154) | (43,418) |
| Less: Loans charged-off, net | (1,907) | (647) | (6,438) | (1,520) |
| Less: Transfers to other real estate owned | (1,530) | (1,321) | (25,029) | (8,468) |
| Balance, end of period | \$748,189 | \$648,122 | \$569,138 | \$613,490 |

The majority of our loan participations and sales relate to agricultural customers. When customers request additional funding, generally for expansion of their operations, the existing loan participations are usually repurchased, with the consent of the participating institution, to allow for repackaging of the loans. This allows the new loans, including the additional funding, to be re-participated at a later time. The decision to re-participate a loan is dependent on many factors, including in-house lending limits and longer-term interest rate options provided to the borrower. As reflected by the balances of "Loans sold, net of repayments", we increased the amount of loans we participated in 2015 in order to generate liquidity to fund loan growth.

Loan Servicing. As part of our growth and risk management strategy, we have actively developed a loan participation and loan sales network. Our ability to sell loan participations and whole loans benefits us by freeing up capital and funding to lend to new customers as well as to increase non-interest income through the recognition of loan sale and servicing revenue. Because we continue to service these loans, we are able to maintain a relationship with the customer. Additionally, we receive a servicing fee that offsets some of the cost of administering the loan, while maintaining the customer relationship.

The loan servicing portfolio is shown below:

| | As of December 31, | | | |
|---|------------------------|-------------|-----------|-----------|
| | 2015 | 2014 | 2013 | 2012 |
| | (dollars in thousands) | | | |
| Total loans: | \$748,189 | \$648,122 | \$569,138 | \$613,490 |
| Less: Non-qualified loan sales included below | (3,945) | (8,894) | (14,169) | (18,396) |
| Loans serviced: | | | | |
| Agricultural | 480,133 | 413,933 | 382,094 | 308,514 |
| Commercial | 11,080 | 10,419 | 25,822 | 37,969 |
| Commercial real estate | 4,720 | 4,941 | 6,213 | 16,491 |
| Total loans serviced | 495,933 | 429,293 | 414,129 | 362,974 |
| Total loans and loans serviced | \$1,240,177 | \$1,068,521 | \$969,098 | \$958,068 |

Loan Maturity. The following table sets forth certain information at December 31, 2015 regarding scheduled contractual maturities during the periods indicated. The tables do not include any estimate of prepayments, which significantly shorten the average life of all loans and may cause our actual repayment experience to differ from that shown below.

| | As of December 31, 2015 | | | |
|---------------------------------|-------------------------------|--|-------------------------------|------------------|
| | Due In One Year or Less | More Than One Year to Five Years | Due After Five Years | Total |
| (dollars in thousands) | | | | |
| By Loan Portfolio Class: | | | | |
| Agricultural | \$324,396 | \$131,900 | \$43,027 | \$499,323 |
| Commercial real estate | 31,963 | 102,478 | 27,297 | 161,738 |
| Commercial | 26,883 | 19,037 | 6,058 | 51,978 |
| Residential real estate | 17,104 | 15,702 | 1,825 | 34,631 |
| Installment and consumer other | 68 | 85 | 366 | 519 |
| Total loans | \$400,414 | \$269,202 | \$78,573 | \$748,189 |
| By Interest Rate Type: | | | | |
| Fixed | \$330,292 | \$241,101 | \$61,694 | \$633,087 |
| Adjustable loans at floor | 19,357 | 16,697 | 5,923 | 41,977 |
| Adjustable | 50,765 | 11,404 | 10,956 | 73,125 |
| Total loans | \$400,414 | \$269,202 | \$78,573 | \$748,189 |

Securities. Our securities portfolio is predominately composed of municipal securities, investment grade mortgage-backed securities, and U.S. Government and agency securities. We classify substantially all of our securities as available for sale. We do not engage in active securities trading in carrying out our investment strategies.

Securities increased to \$83.3 million at December 31, 2015 from \$81.3 million at December 31, 2014 as the result of additional investment security purchases of \$11.3 million, which were partially offset by normal maturities and paydowns during 2015.

Securities increased to \$81.3 million at December 31, 2014 from \$73.0 million at December 31, 2013. The increase in the portfolio was due to additional investment security purchases less normal pay downs during year ended December 31, 2014.

The following table sets forth the amortized cost and fair values of our securities portfolio at the dates indicated.

| | December 31, 2015 | | December 31, 2014 | | December 31, 2013 | |
|----------------------------|----------------------|---------------|----------------------|---------------|----------------------|---------------|
| | Amortized Cost | Fair Value | Amortized Cost | Fair Value | Amortized Cost | Fair Value |
| (dollars in thousands) | | | | | | |
| Available for sale: | | | | | | |
| Municipal securities | \$46,185 | \$46,312 | \$41,751 | \$41,849 | \$33,449 | \$33,735 |
| Mortgage-backed securities | 34,728 | 34,966 | 36,889 | 37,428 | 37,601 | 37,255 |

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| | | | | | | |
|---------------------------------------|----------|----------|----------|----------|----------|----------|
| U.S. Government and agency securities | 2,003 | 2,003 | 2,006 | 2,005 | 2,008 | 2,017 |
| Total available for sale | \$82,916 | \$83,281 | \$80,646 | \$81,282 | \$73,058 | \$73,007 |

At December 31, 2015, 2014, and 2013, we had no investments in a single company or entity (other than the U.S. government or an agency of the U.S. government), including both debt and equity securities, that had an aggregate book value in excess of 10% of our equity.

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The following table sets forth the stated maturities and weighted average yields of investment securities at December 31, 2015. Certain mortgage-backed securities have adjustable interest rates and will reprice periodically within the various maturity ranges. These repricing schedules are not reflected in the table below.

| | December 31, 2015 | | | | | | | | | |
|---------------------------------------|------------------------|------------------------|----------------------------------|------------------------|-----------------------------------|------------------------|---------------------|------------------------|-----------------|------------------------|
| | One Year or Less | | More Than One Year to Five Years | | More Than Five Years to Ten Years | | More Than Ten Years | | Total | |
| | Amortized Cost | Weighted Average Yield | Amortized Cost | Weighted Average Yield | Amortized Cost | Weighted Average Yield | Amortized Cost | Weighted Average Yield | Amortized Cost | Weighted Average Yield |
| | (dollars in thousands) | | | | | | | | | |
| Municipal securities | \$4,006 | 1.79 % | \$38,325 | 1.42 % | \$3,854 | 1.70 % | \$— | — | \$46,185 | 1.48 % |
| Mortgage-backed securities | — | — | 610 | 4.15 % | 2,208 | 4.02 % | 31,910 | 2.21 % | 34,728 | 2.36 % |
| U.S. Government and agency securities | 999 | 0.50 % | 1,004 | 0.90 % | — | — | — | — | 2,003 | 0.70 % |
| Total | \$5,005 | 1.53 % | \$39,939 | 1.45 % | \$6,062 | 2.54 % | \$31,910 | 2.21 % | \$82,916 | 1.69 % |

Deposits. Deposits increased \$66.8 million, or 11.0% to \$672.2 million at December 31, 2015 from \$605.5 million at December 31, 2014. An increase of \$77.4 million of interest bearing deposits was partially offset by a \$10.6 million decrease in noninterest bearing deposits. Deposits decreased \$10.8 million, or 1.8% to \$605.5 million at December 31, 2014 from \$616.3 million at December 31, 2013.

The shift in our deposit balance mix below illustrates the challenge we face in securing core deposits in our highly competitive market. In 2015, loan growth outpaced core deposit growth causing us to rely more heavily on brokered deposits. At December 31, 2015 brokered deposits totaled \$164.6 million, or 24.5% of total deposits; whereas, at December 31, 2014 brokered deposits were \$125.4 million, or 20.7% of total deposits. Our long-term strategy is to increase core deposit balances through our focus on customer relationships, in order to secure less volatile and less costly funding and reduce our reliance on brokered deposits.

| | December 31, 2015 | | | December 31, 2014 | | | December 31, 2013 | | | December 31, 2012 | | |
|-----------------------------|------------------------|---------|--|-------------------|---------|--|-------------------|---------|--|-------------------|---------|--|
| | Amount | Percent | | Amount | Percent | | Amount | Percent | | Amount | Percent | |
| | (dollars in thousands) | | | | | | | | | | | |
| Time deposits | \$307,044 | 45.7 % | | \$296,921 | 49.0 % | | \$321,257 | 52.1 % | | \$313,168 | 51.1 % | |
| Brokered deposits | 164,559 | 24.5 % | | 125,396 | 20.7 % | | 150,661 | 24.4 % | | 167,887 | 27.4 % | |
| Money market accounts | 96,148 | 14.3 % | | 69,742 | 11.5 % | | 52,961 | 8.6 % | | 53,604 | 8.7 % | |
| Demand, noninterest-bearing | 70,914 | 10.5 % | | 81,534 | 13.5 % | | 57,231 | 9.3 % | | 54,276 | 8.9 % | |
| | 27,592 | 4.1 % | | 27,312 | 4.5 % | | 28,688 | 4.7 % | | 18,853 | 3.1 % | |

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NOW accounts and interest
checking

| | | | | | | | | | | | | |
|----------------|-----------|-------|---|-----------|-------|---|-----------|-------|---|-----------|-------|---|
| Savings | 5,969 | 0.9 | % | 4,564 | 0.8 | % | 5,510 | 0.9 | % | 5,031 | 0.8 | % |
| Total deposits | \$672,226 | 100.0 | % | \$605,469 | 100.0 | % | \$616,308 | 100.0 | % | \$612,819 | 100.0 | % |

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The following tables set forth the average balances and weighted average rates of our deposit products for the periods indicated.

| | For the Year Ended December 31, | | | | | | | | | | |
|------------------------------------|---------------------------------|---------|------------------|--|-----------|---------|--------|------------------|---------|---------|------|
| | 2015 | | | | | 2014 | | | | | |
| | Average | | Weighted Average | | | Average | | Weighted Average | | | |
| | Balance | Percent | Rate | | Balance | Percent | Rate | | Balance | Percent | Rate |
| | (dollars in thousands) | | | | | | | | | | |
| Time deposits | \$299,076 | 48.0 % | 1.37 % | | \$305,284 | 50.6 % | 1.32 % | | | | |
| Brokered deposits | 147,505 | 23.7 % | 1.06 % | | 138,683 | 23.0 % | 1.23 % | | | | |
| Money market accounts | 79,438 | 12.8 % | 0.43 % | | 65,592 | 10.9 % | 0.45 % | | | | |
| Demand, noninterest-bearing | 62,430 | 10.0 % | — | | 59,956 | 9.9 % | — | | | | |
| NOW accounts and interest checking | 28,893 | 4.6 % | 0.38 % | | 28,254 | 4.7 % | 0.40 % | | | | |
| Savings | 5,341 | 0.9 % | 0.18 % | | 5,740 | 0.9 % | 0.18 % | | | | |
| Total deposits | \$622,683 | 100.0 % | 1.00 % | | \$603,509 | 100.0 % | 1.13 % | | | | |

| | For the Year Ended | | | | |
|------------------------------------|------------------------|---------|------------------|--|------|
| | December 31, | | | | |
| | 2013 | | | | |
| | Average | | Weighted Average | | |
| | Balance | Percent | Rate | | Rate |
| | (dollars in thousands) | | | | |
| Time deposits | \$316,751 | 52.9 % | 1.34 % | | |
| Brokered deposits | 155,017 | 25.9 % | 1.33 % | | |
| Money market accounts | 53,078 | 8.9 % | 0.51 % | | |
| Demand, noninterest-bearing | 47,563 | 7.9 % | — | | |
| NOW accounts and interest checking | 21,230 | 3.5 % | 0.37 % | | |
| Savings | 5,236 | 0.9 % | 0.22 % | | |
| Total deposits | \$598,875 | 100.0 % | 1.21 % | | |

The following table sets forth the maturity of time deposits of \$100,000 or more, including brokered time deposits for the period indicated.

| | December 31, 2015 (dollars in thousands) |
|---------------------------------|---|
| 3 months or less | \$ 36,453 |
| Over 3 through 6 months | 18,000 |
| Over 6 months through 12 months | 62,298 |
| Over 12 months | 187,858 |
| Total | \$ 304,609 |

Borrowings. The Bank had fixed rate advances outstanding from the FHLB-Chicago in the amount of \$66.4 million, \$28.0 million, and \$22.0 million on December 31, 2015, December 31, 2014, and December 31, 2013, respectively. The terms of security agreements with the FHLB require the Bank to pledge collateral for such borrowings consisting of qualifying first mortgage loans, certain securities available for sale, and all stock in the FHLB. We did not have overnight advances with the FHLB at December 31, 2015, December 31, 2014, or December 31, 2013.

As of December 31, 2015, 2014, and 2013, the Bank also had a \$50 million line-of-credit available with the Federal Reserve Bank of Chicago. Borrowings under this line of credit are limited by the amount of securities pledged by the Bank as collateral. Our available credit due to our pledged securities totaled \$15.8 million, \$17.8 million, and \$18.3 million at December 31, 2015, 2014, and 2013, respectively. The total outstanding advances were \$15 million at December 31, 2014. We had no borrowings from the Federal Reserve Bank of Chicago as of December 31, 2015 or 2013.

We also have other borrowings as a result of sold loans that do not qualify for sale accounting. These agreements are recorded as financing transactions as we maintain effective control over the transferred loans. The dollar amount of the loans underlying the sale agreements continues to be carried in our loan portfolio, and the transfer is reported as a secured borrowing with pledge of collateral.

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The following table sets forth information concerning balances and interest rates on our borrowings at the dates and for the periods indicated.

| | For the Year Ended December 31, | | | | | |
|--|------------------------------------|---|----------|---|----------|---|
| | 2015 | | 2014 | | 2013 | |
| | (dollars in thousands) | | | | | |
| FHLB Advances: | | | | | | |
| Balance at end of period | \$66,445 | | \$28,000 | | \$22,000 | |
| Average outstanding during the period | \$44,331 | | \$19,922 | | \$24,121 | |
| Maximum outstanding at any month-end | \$66,445 | | \$28,000 | | \$25,000 | |
| Weighted average interest rate during the period | 1.37 | % | 1.61 | % | 1.80 | % |
| Weighted average interest rate at end of period | 1.39 | % | 1.71 | % | 1.80 | % |
| Other Borrowings: | | | | | | |
| Balance at end of period | \$3,945 | | \$23,857 | | \$14,169 | |
| Average outstanding during the period | \$8,088 | | \$12,279 | | \$17,500 | |
| Maximum outstanding at any month-end | \$24,414 | | \$23,857 | | \$24,770 | |
| Weighted average interest rate during the period | 3.41 | % | 4.73 | % | 4.96 | % |
| Weighted average interest rate at end of period | 4.97 | % | 2.33 | % | 4.96 | % |

Subordinated Debentures. In September 2005 and June 2006, we formed two wholly owned subsidiary business trusts, County Bancorp Statutory Trust II (“Trust II”) and County Bancorp Statutory Trust III (“Trust III”), respectively, for the purpose of issuing capital securities which qualify as Tier 1 capital. Trust II issued at par \$6.0 million of floating rate capital securities. The capital securities of Trust II are nonvoting, mandatorily redeemable in 2035, and are guaranteed by us. Trust III issued at par \$6.0 million of floating rate capital securities. The capital securities of Trust III are nonvoting, mandatorily redeemable in 2036, and are also guaranteed by us.

We own all of the outstanding common securities of Trust II and Trust III. The trusts used the proceeds from the issuance of their capital securities to buy floating rate junior subordinated deferrable interest debentures (“debentures”) issued by the Company. These debentures are the trusts’ only assets, and interest payments from these debentures finance the distributions paid on the capital securities. These debentures are unsecured, rank junior, and are subordinate in the right of payment to all of our senior debt.

The capital securities of Trust II and Trust III have been structured to qualify as Tier 1 capital for regulatory purposes. However, the securities cannot be used to constitute more than 25% of the Company’s “core” Tier 1 capital according to regulatory requirements. We used the proceeds of the Trust II issue for general corporate purposes, and we used the proceeds of the Trust III issue to redeem the securities of County Bancorp Statutory Trust I.

Comparison of Operating Results for the Years Ended December 31, 2015, 2014, and 2013

Net Income. Net income increased \$2.8 million, or 33.7%, to a record level or \$11.0 million for the year ended December 31, 2015 from the year ended December 31, 2014. This represents earnings per share of \$1.85 (basic) and \$1.82 (diluted). The increase is primarily due to loan recoveries of \$2.7 million that we were able to collect throughout 2015. We believe that recoveries of this magnitude was a one-time event, and it is unlikely we will experience each year in the future.

Net income was \$8.2 million for the year ended December 31, 2014, or \$1.73 per share (basic) and \$1.69 (diluted), compared to \$7.0 million for the year ended December 31, 2013, or \$1.45 per share (basic) and \$1.43 (diluted). The increase of \$1.2 million or 17.1% was primarily due to a \$3.6 million decrease in the loan loss provision which was partially offset by a \$1.7 decrease in non-interest income.

Net income before taxes increased \$4.6 million, or 35.7%, to \$17.5 million for the year ended December 31, 2015 from the year ended December 31, 2014. Net income before taxes increased \$1.7 million or 15.6% from \$11.2 million for the year ended December 31, 2013 to \$12.9 million for the year ended December 31, 2014.

Interest and Dividend Income. Total interest and dividend income increased \$2.9 million, or 9.3%, to \$33.8 million for the year ended December 31, 2015 compared to 2014. The increase is primarily the result of an increase in the average loan balance of \$89.3 million which was partially offset by an erosion of the average yield on loans of 23 basis points for the year ended December 31, 2015 compared to year ended December 31, 2014.

Total interest and dividend income decreased \$1.1 million, or 3.4%, to \$30.9 million for the year ended December 31, 2014 compared to 2013. Despite an average loan balance increase of \$703 thousand, the decrease in interest on loans is primarily due to a decrease in the average yield on loans which declined 21 basis points for the year ended December 31, 2014 compared to the same period in 2013. The decrease in interest on loans was partially offset by a \$100 thousand, or 9.1%, increase on interest on securities for the year ended December 31, 2014 from the year ended December 31, 2013.

Interest Expense. Total interest expense for the year ended December 31, 2015 remained unchanged from the year ended December 31, 2014, at \$7.5 million. Interest expense on interest-bearing accounts increased \$84 thousand, or 1.4%, and interest expense on FHLB advances increased by \$284 thousand, or 88.2%, between the two periods due to increased average balances despite a decrease of 24 basis points in the average rate; however, this increase was partially offset by a decrease in interest on non-qualified loan sales and subordinated debentures.

Total interest expense decreased \$0.2 million to \$7.5 million from \$8.5 million for the years ended December 31, 2014 and 2013, respectively. Interest expense on interest-bearing deposit accounts decreased to \$6.2 million for the year ended December 31, 2014, from \$6.7 million for the year ended December 31, 2013. The decrease was primarily due to the impact of maturing certificates of deposit renewing at lower rates, a shift in deposit mix toward core deposits and deposit rate reductions in core deposits.

Interest expense on FHLB advances decreased \$113 thousand, or 26.0%, to \$322 thousand for the year ended December 31, 2014 from \$435 thousand for the year ended December 31, 2013. The average rate decreased 19 basis points to 1.61% for the year ended December 31, 2014 compared to 1.80% for the year ended December 31, 2013.

Income. Net interest and dividend income for the year ended December 31, 2015 increased \$2.9 million, or 12.4%, to \$26.2 million from the same period in 2014.

Our average interest-earning assets increased by \$70.2 million, or 9.9%, to \$780.4 million for the year ending December 31, 2015 compared to the same period of 2014. This is compared to averages of \$710.2 million and \$701.3 million for the years ended December 31, 2014 and 2013, respectively. Our net interest rate spread increased to 3.13% for the year ended December 31, 2015 from 3.07% for the year ended December 31, 2014 but decreased from 3.15% at December 31, 2013. Our net interest margin increased to 3.36% for the year ended December 31, 2015 from 3.29% and 3.35% for the years ended December 31, 2014 and 2013, respectively. The increases in our interest rate spread and net interest margin reflects yields of interest-earning assets increasing faster than yields of interest-bearing liabilities in this rate-compressed environment.

Provision for Loan Losses. Based on our analysis of the components of the allowance for loan losses described in "Allowance for Loan Losses," we recorded a provision for loan losses of \$(1.0) million for the year ended December 31, 2015, as the result of our improved credit quality and \$2.7 million in loan recoveries which was partially offset by \$1.9 million in loans charged-off. Of the \$2.7 million in loan recoveries, \$1.6 million was from a single customer, and we do not anticipate such large recoveries recurring in the future. The total allowance for loan losses was \$10.4 million, or 1.39% of total loans, at December 31, 2015. Total non-performing loans, excluding performing troubled debt restructurings, were \$24.6 million at December 31, 2015. This was a \$13.0 million increase from December 31, 2014, primarily as the result of one large relationship being downgraded; however, we anticipate that it will be resolved in the first half of 2016. The allowance for loan losses reflects the estimate we believe to be appropriate to cover probable incurred losses inherent in the loan portfolio at December 31, 2015.

We recorded \$0.6 million in provision for loan losses at for the year ended December 31, 2014 and \$4.2 million for the year ended December 31, 2013. The allowance for loan losses was \$10.6 million, or 1.64% of total loans, at December 31, 2014. This compares to an allowance for loan losses of \$10.5 million, or 1.84% of total loans, at

December 31, 2013. Total non-performing loans, excluding performing troubled debt restructurings, were \$11.6 million at December 31, 2014 and \$6.1 million at December 31, 2013.

Non-Interest Income. Non-interest income increased \$537 thousand, or 7.5%, to \$7.7 million for the year ended December 31, 2015 compared to the year ended December 31, 2014, which reported non-interest income of \$7.1 million. For the year ended December 31, 2013, non-interest income was \$8.9 million. The primary factor contributing to annual fluctuation in non-interest income is the Bank's volume and activity in loan servicing fees and loan servicing rights income.

Non-Interest Expense. Non-interest expense increased \$433 thousand, or 2.5%, to \$17.5 million for the year ended December 31, 2015 from \$17.0 million for the year ended December 31, 2014. The increase is primarily due to a \$560 thousand increase in salaries and related benefits as the result of seven additional full-time employees and increase performance based compensation in 2015. In addition, professional fees in 2015 increased by \$675 thousand in part due to our pending acquisition and the result of being a public company. These increases were partially offset by \$934 thousand decrease in write-downs of other real estate owned due to fewer properties held.

For the year ended December 31, 2014, non-interest expense remained relatively consistent from the year ended December 31, 2013 with an increase of less than \$0.1 million, or 0.4%, year over year.

Income Taxes. Income tax expense for the year ended December 31, 2015 was \$6.5 million, an increase of \$1.9 million from the year ended December 31, 2014. For the year ended December 31, 2014, income tax expense was \$4.7 million, an increase of \$0.6 million from December 31, 2013. The effective tax rates as a percent of pre-tax income were approximately 37%, 36%, and 37%, for the years ended December 31, 2015, 2014, and 2013, respectively.

Analysis of Net Interest Income

Net interest income represents the difference between income we earn on our interest-earning assets and the expense we pay on interest-bearing liabilities. Net interest income depends on the volume of interest-earning assets and interest-bearing liabilities and the interest rates earned on such assets and paid on such liabilities.

Average Balances and Yields. The following tables set forth average balance sheets, average yields and costs, and certain other information for the periods indicated. All average balances are daily average balances. Nonaccrual loans were included in the computation of average balances, but have been reflected in the table as loans carrying a zero yield. The yields set forth below include the effect of deferred fees, discounts and premiums that are amortized or accreted to interest income or expense.

| | For the Year Ended December 31, | | | | | | | | | |
|--|---------------------------------|----------|---------|------------------|----------|---------|------------------|----------|---------|--|
| | 2015 | | | 2014 | | | 2013 | | | |
| | Average | Income/ | Yields/ | Average | Income/ | Yields/ | Average | Income/ | Yields/ | |
| | Balance | Expense | Rates | Balance | Expense | Rates | Balance | Expense | Rates | |
| | (1) | | | (1) | | | (1) | | | |
| | (dollars in thousands) | | | | | | | | | |
| Assets | | | | | | | | | | |
| Investment securities | \$82,812 | \$1,401 | 1.69 % | \$77,060 | \$1,371 | 1.78 % | \$65,586 | \$1,246 | 1.90 % | |
| Loans ⁽²⁾ | 680,279 | 32,301 | 4.75 % | 590,974 | 29,416 | 4.98 % | 590,270 | 30,614 | 5.19 % | |
| Interest bearing deposits due from other banks | 17,333 | 65 | 0.38 % | 42,208 | 110 | 0.26 % | 45,403 | 112 | 0.25 % | |
| Total interest-earning assets | \$780,424 | \$33,767 | 4.33 % | \$710,242 | \$30,897 | 4.35 % | \$701,259 | \$31,972 | 4.56 % | |
| Allowance for loan losses | (10,309) | | | (10,566) | | | (11,956) | | | |
| Other assets | 41,416 | | | 46,717 | | | 54,427 | | | |
| Total assets | \$811,531 | | | \$746,393 | | | \$743,730 | | | |
| Liabilities | | | | | | | | | | |
| Savings, NOW, money market, interest checking | \$158,610 | \$746 | 0.47 % | \$134,378 | \$639 | 0.48 % | \$110,541 | \$556 | 0.50 % | |
| Time deposits | 401,643 | 5,492 | 1.37 % | 409,175 | 5,515 | 1.35 % | 440,771 | 6,127 | 1.39 % | |
| Total interest-bearing deposits | \$560,253 | \$6,238 | 1.11 % | \$543,553 | \$6,154 | 1.13 % | \$551,312 | \$6,683 | 1.21 % | |
| Other borrowings | 8,088 | 276 | 3.41 % | 12,279 | 581 | 4.73 % | 17,500 | 867 | 4.95 % | |

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| | | | | | | | | | |
|--|-----------|---------|--------|-----------|---------|--------|-----------|---------|--------|
| FHLB advances | 44,331 | 606 | 1.37 % | 19,992 | 322 | 1.61 % | 24,121 | 435 | 1.80 % |
| Junior subordinated debentures | 12,372 | 400 | 3.23 % | 12,372 | 480 | 3.88 % | 12,372 | 528 | 4.27 % |
| Total interest-bearing liabilities | \$625,044 | \$7,520 | 1.20 % | \$588,196 | \$7,537 | 1.28 % | \$605,305 | \$8,513 | 1.41 % |
| Non-interest bearing deposits | 62,430 | | | 59,956 | | | 47,564 | | |
| Other assets | 7,947 | | | 7,185 | | | 5,782 | | |
| Total liabilities | 695,421 | | | 655,337 | | | 658,651 | | |
| SBLF preferred stock (3) | 15,000 | | | 15,000 | | | 15,000 | | |
| Shareholders' equity | 101,110 | | | 76,056 | | | 70,079 | | |
| Total liabilities and equity | \$811,531 | | | \$746,393 | | | \$743,730 | | |
| Net interest income | | 26,247 | | | 23,360 | | | 23,459 | |
| Interest rate spread (4) | | | 3.13 % | | | 3.07 % | | | 3.15 % |
| Net interest margin (5) | | | 3.36 % | | | 3.29 % | | | 3.35 % |
| Ratio of interest-earning assets to interest-bearing liabilities | | 1.25 | | | 1.21 | | | 1.16 | |

(1) Average balances are calculated on amortized cost.

(2) Includes loan fee income, nonaccruing loan balances and interest received on such loans.

- (3) The SBLF preferred stock refers to our Series C noncumulative perpetual preferred stock issued to the U.S. Treasury through the U.S. Treasury's Small Business Lending Fund Program.
- (4) Interest rate spread represents the difference between the yield on average interest-earning assets and the cost of average interest-bearing liabilities.
- (5) Net interest margin represents net interest income divided by average total interest-earning assets.

Rate/Volume Analysis. The following table presents the effects of changing rates and volumes on our net interest income for the periods indicated. The rate column shows the effects attributable to changes in rate (changes in rate multiplied by prior volume). The volume column shows the effects attributable to changes in volume (changes in volume multiplied by prior rate). The net column represents the sum of the prior columns. For purposes of this table, changes attributable to both rate and volume, which cannot be segregated, have been allocated proportionately based on the changes due to rate and the changes due to volume.

| | Year Ended December 31, 2015 v. 2014 | | | Year Ended December 31, 2014 v. 2013 | | |
|---|---|-----------|---------|--|-----------|----------|
| | Increase (Decrease) | | | Increase (Decrease) | | |
| | Due to Change in Average | | Net | Due to Change in Average | | Net |
| | Volume | Rate | | Volume | Rate | |
| | (dollars in thousands) | | | | | |
| Interest Income: | | | | | | |
| Investment securities | \$88 | \$(58) | \$30 | \$196 | \$(71) | \$125 |
| Loans | 4,151 | (1,266) | 2,885 | 37 | (1,235) | (1,198) |
| Federal funds sold and interest-bearing deposits with | | | | | | |
| banks | (182) | 137 | (45) | (10) | 8 | (2) |
| Total interest income | 4,057 | (1,187) | 2,870 | \$223 | \$(1,298) | (1,075) |
| Interest Expense: | | | | | | |
| Savings, NOW, money market and interest checking | \$114 | \$(7) | \$107 | \$111 | \$(28) | \$83 |
| Time deposits | (108) | 85 | (23) | (430) | (182) | (612) |
| Other borrowings | (168) | (137) | (305) | (70) | (43) | (113) |
| FHLB advances | 325 | (41) | 284 | (248) | (38) | (286) |
| Junior subordinated debentures | — | (80) | (80) | — | (48) | (48) |
| Total interest expense | \$163 | \$(180) | \$(17) | \$(637) | \$(339) | \$(976) |
| Net interest income | \$3,894 | \$(1,007) | \$2,887 | \$860 | \$(959) | \$(99) |

Risk Management

Overview. Managing risk is an essential part of successfully managing a financial institution. Among our most prominent risk exposures are market risk, credit risk, interest rate risk and liquidity risk. Credit risk is the risk of not collecting the interest and/or the principal balance of a loan or security when it is due. Interest rate risk is the potential

reduction of net interest income or the reduction in the value of assets and liabilities as a result of changes in interest rates. Market risk refers to potential losses arising from changes in interest rates, commodity prices, real estate prices and/or other relevant market rates or prices. Liquidity risk is the possible inability to fund obligations to depositors, lenders or borrowers when due. Other risks that we face are operational risk, cyber risk, and reputation risk. Operational risks include risks related to fraud, regulatory compliance, processing errors, technology, and disaster recovery. Cyber-risk is the risk of technological intrusion resulting in loss of customer information, loss of data, denial of service attacks, and cyber-theft. Reputation risk is the risk that negative publicity or press, whether true or not, could cause a decline in our customer base or revenue.

Credit Risk Management. Our strategy for credit risk management focuses on having a layered approach to risk involving risk-taking, risk monitoring, and risk mitigation. In our target markets, we field an experienced lending staff supported by a centralized, robust risk management infrastructure working under well-defined credit policies and rigorous underwriting criteria. We have developed portfolio strategies and controls that are conducive to the development of a diversified loan portfolio including a variety of exposure control limits on different portfolio segments and have established an internal lending limit that is substantially below our legal lending limit. Regular total portfolio and loan level monitoring ensures timely risk recognition, provides early warning of potential problems and allows prompt attention to potential problem loans. This strategy emphasizes generally conservative loan-to-value ratios and full recourse to guarantors with substantial net worth on credit exposures. In addition to our portfolio monitoring practices, we have a comprehensive loan review system using both internal and external resources to review at least 30% of portfolio

exposure annually. Formal management quarterly problem loan reviews include assessment of risk ratings and loan collateral valuation in order to identify impaired loans.

The Bank takes a proactive approach to managing problem loans. Delinquent loans greater than 15 days are reviewed by the management team weekly. When a borrower fails to make a required loan payment, management takes a number of steps to have the borrower cure the delinquency and restore the loan to a current status. Bankers make the initial contact with the borrower when the loan becomes 15 days past due. If payment is not then received by the 30th day of delinquency, additional points of contact are generally made, the loan risk rating is reassessed, and a plan of collection is identified and pursued for each individual loan. The loan relationship may be downgraded and transferred to a special assets officer, depending on the prospects for the borrower bringing the loan current, the financial strength and commitment of any guarantors, the type and value of the collateral securing the loan and other factors. Collection efforts may lead to a demand of repayments, the initiation of litigation and/or foreclosure on collateral securing the loan. If a foreclosure action is instituted and the loan is not brought current, paid in full, or refinanced before the foreclosure sale, the assets or real property securing the loan generally are sold by the Bank in a commercially reasonable manner. While we develop loan workout arrangements for most problem loans, we also consider the sale of the non-performing loans. Management regularly informs the board of directors of the amount and status of delinquent loans, all loans rated special mention or worse, all nonaccrual loans, all troubled debt restructures, and all OREO. When a credit is downgraded to “special mention” and/or “substandard” it is generally transferred to a special assets officer.

Non-Performing Assets. We consider foreclosed assets and loans that are maintained on a nonaccrual basis to be non-performing assets. Loans are generally placed on nonaccrual status when collectability is judged to be uncertain or payments have become 90 days or more past due. On loans where the full collection of principal or interest payments is not probable, the accrual of interest income ceases and any already accrued interest is reversed. Interest income is not accrued on such loans until the borrower’s financial condition and payment record demonstrate an ability to service the debt. Payments received on a nonaccrual loan are first applied to the outstanding principal balance when collectability of principal is in doubt.

Real estate that we acquire as a result of foreclosure or by deed-in-lieu of foreclosure is classified as OREO until it is sold. Assets acquired through or in lieu of loan foreclosure are initially recorded at fair value less costs to sell. Upon acquiring a property, the Bank engages an independent third party realtor to assist in marketing and selling the property. Management reviews all OREO on a quarterly basis and makes adjustments to listing prices and marketing strategies as deemed appropriate. On an annual basis all OREO properties are re-appraised by independent third party appraisers. Any holding costs and declines in fair value after acquisition of the property result in charges against income.

Troubled debt restructurings occur when we grant borrowers concessions that we would not otherwise grant but for economic or legal reasons pertaining to the borrower’s financial difficulties. Generally, this occurs when the cash flows of the borrower are insufficient to service the loan under its original terms. We may modify the terms of a loan as a troubled debt restructuring by reducing the loan’s stated interest rate, extending the loan’s maturity or otherwise restructuring the loan terms to enable payment. We may consider permanently reducing the recorded investment in the loan or structuring a non-accruing secondary note in a troubled debt restructuring as well but we generally do not make such concessions. Modifications involving a reduction of the stated interest rate of loans are typically for periods ranging from six months to one year. These modifications are made only when there is a reasonable and attainable workout plan that has been agreed to by the borrower and that is in our best interests. Loans classified as troubled debt restructurings are rated “substandard” by the Bank. Once the borrower has demonstrated sustained performance with the modified terms, the loan may be removed from non-performing status. Any loans categorized as troubled debt restructurings will continue to retain that designation through the life of the loan.

The following table provides information with respect to our non-performing assets, including troubled debt restructurings, and loans 90 days or more past due and still accruing at the dates indicated.

| | As of December 31, | | | | |
|---|------------------------|----------|----------|----------|----------|
| | 2015 | 2014 | 2013 | 2012 | 2011 |
| | (dollars in thousands) | | | | |
| Nonaccrual loans: | | | | | |
| Agricultural loans | \$17,705 | \$1,293 | \$1,076 | \$1,374 | \$3,875 |
| Commercial loans | 3,712 | 3,409 | 1,826 | 3,213 | 2,816 |
| Commercial real estate loans | 3,162 | 5,163 | 326 | 5,404 | 12,385 |
| Residential real estate loans | — | 1,690 | 2,828 | 1,221 | 5,739 |
| Installment and Consumer Other | — | — | — | — | 48 |
| Total nonaccrual loans | \$24,579 | \$11,555 | \$6,056 | \$11,212 | \$24,863 |
| Other real estate owned | 2,872 | 7,137 | 16,083 | 10,517 | 6,543 |
| Total non-performing assets ⁽¹⁾ | \$27,451 | \$18,692 | \$22,139 | \$21,729 | \$31,406 |
| Loans 90+ days past due and still accruing | — | — | — | — | — |
| Performing troubled debt restructured loans | 610 | 846 | 4,020 | 5,147 | 10,868 |
| Total non-performing assets and performing troubled debt restructurings | \$28,061 | \$19,538 | \$26,159 | \$26,876 | \$42,274 |
| Non-performing loans to total loans | 3.29 % | 1.78 % | 1.06 % | 1.83 % | 4.32 % |
| Non-performing loans and loans past due 90 days and still accruing to total loans | 3.29 % | 1.78 % | 1.06 % | 1.83 % | 4.32 % |
| Non-performing assets to total assets ⁽¹⁾⁽²⁾ | 3.10 % | 2.42 % | 2.92 % | 2.88 % | 4.63 % |
| Total non-performing assets and performing troubled debt restructurings to total assets | 3.17 % | 2.53 % | 3.45 % | 3.56 % | 6.24 % |

(1) Non-performing assets are defined as nonaccrual loans plus OREO.

(2) Loans are presented before allowance for loan losses and do not include deferred loan origination costs (fees). Interest income that would have been recorded for the years ended December 31, 2015, 2014, and 2013, had nonaccrual loans been current according to their original terms, amounted to \$1.7 million, \$778 thousand, and \$497 thousand, respectively. No income related to nonaccrual loans was included in interest income for the years ended December 31, 2015, 2014, and 2013.

Total nonaccrual loans increased from December 31, 2014 to December 31, 2015 due primarily to one agricultural relationship of approximately \$11.6 million that was downgraded to “substandard” and placed on nonaccrual. The credit is currently operating under a forbearance agreement, and in March 2016, one of the two farms securing the loans was sold, resulting in a pay down of approximately \$6.5 million. It is anticipated that other farm will be sold during the second quarter of 2016. Total nonaccrual loans increased from December 31, 2013 to December 31, 2014, primarily due to one commercial real estate relationship of approximately \$4.7 million being downgraded to “substandard” and placed on nonaccrual.

The Bank is actively managing the OREO portfolio, and the number and dollar amount of OREO properties has declined each quarter since third quarter 2013. As of December 31, 2015, OREO totaled \$2.9 million compared to \$7.1 million at December 31, 2014, and \$16.1 million at December 31, 2013. We expect the balance of the OREO in our portfolio and the related expenses to decline as we continue to sell more properties than we are obtaining through foreclosure.

Special Mention and Classified Loans. Federal regulations require us to review and classify loans on a regular basis. There are four classifications for problem loans: special mention, substandard, doubtful and loss. We categorize loans into these risk categories based on relevant information about the ability of borrowers and, if appropriate, guarantors to service their debts, and the quality and projected realizable value of collateral. We analyze loans through quarterly asset quality reviews based on observable risk criteria such as overdrafts, late payments, financial performance and collateral valuations.

“Substandard loans” are inadequately protected by the current sound net worth and paying capacity of the obligor or the collateral pledged. As such they have a well-defined weakness that jeopardizes the liquidation of the debt. They are characterized by the distinct possibility that we will sustain some loss if the deficiencies are not corrected. “Doubtful loans” have all the weaknesses inherent in substandard loans with the additional characteristic that the weaknesses make collection or liquidation in full on the basis of currently existing facts, conditions and values questionable, and there is a high possibility of loss. A loan classified as “loss” is considered uncollectible and of such little value that continuance as a loan of the institution is not warranted. When management classifies a loan as

substandard or doubtful, a specific allowance for probable and reasonably estimable loan losses is established. If management classifies a loan as loss, an amount equal to 100% of the portion of the loan classified loss is charged to the allowance for loan losses.

The following table shows the aggregate amounts of our substandard and special mention loans.

| | As of December 31, | | | |
|--|------------------------|----------|----------|----------|
| | 2015 | 2014 | 2013 | 2012 |
| | (dollars in thousands) | | | |
| Classified and special mention loans: | | | | |
| Substandard | \$30,402 | \$24,844 | \$23,980 | \$22,901 |
| Special mention | 13,911 | 12,843 | 28,103 | 38,302 |
| Total classified and special mention loans | \$44,313 | \$37,687 | \$52,083 | \$61,203 |

Other than as disclosed in the above tables, there are no other loans where management has serious doubts about the ability of the borrowers to comply with the present loan repayment terms.

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Delinquencies. The following table provides information about delinquencies in our loan portfolio at the dates indicated.

As of December 31, 2015 Loans
Delinquent For:

| | 30-89 Days | | 90 Days or more | | Total Delinquent Loans | | |
|--------------------------------|------------------|------------|------------------|-------------------|------------------------|-------|---|
| | % of | | % of | | | | |
| | Delinquent Loans | | Delinquent Loans | | % of | | |
| | 30-89 | 90 Days or | | | | | |
| Amount | Days | Amount | more | Amount Delinquent | | | |
| (dollars in thousands) | | | | | | | |
| Agricultural loans | \$983 | 80.5 | % \$2,405 | 29.0 | % \$3,388 | 35.6 | % |
| Commercial real estate loans | 234 | 19.1 | % 2,418 | 29.1 | % 2,652 | 27.9 | % |
| Commercial loans | — | 0.0 | % 3,476 | 41.9 | % 3,476 | 36.5 | % |
| Residential real estate | 5 | 0.4 | % — | 0.0 | % 5 | 0.1 | % |
| Installment and consumer other | — | 0.0 | % — | 0.0 | % — | 0.0 | % |
| Total | \$1,222 | 100.0 | % \$8,299 | 100.0 | % \$9,521 | 100.1 | % |

As of December 31, 2014 Loans
Delinquent For:

| | 30-89 Days | | 90 Days or more | | Total Delinquent Loans | | |
|--------------------------------|------------------|------------|------------------|-------------------|------------------------|-------|---|
| | % of | | % of | | | | |
| | Delinquent Loans | | Delinquent Loans | | % of | | |
| | 30-89 | 90 Days or | | | | | |
| Amount | Days | Amount | more | Amount Delinquent | | | |
| (dollars in thousands) | | | | | | | |
| Agricultural loans | \$364 | 88.3 | % \$238 | 3.5 | % \$602 | 8.4 | % |
| Commercial real estate loans | — | 0.0 | % 2,592 | 38.5 | % 2,592 | 36.3 | % |
| Commercial loans | 42 | 10.2 | % 3,366 | 50.0 | % 3,408 | 47.7 | % |
| Residential real estate | 6 | 1.5 | % 534 | 8.0 | % 540 | 7.6 | % |
| Installment and consumer other | — | 0.0 | % — | 0.0 | % — | 0.0 | % |
| Total | \$412 | 100.0 | % \$6,730 | 100.0 | % \$7,142 | 100.0 | % |

As of December 31, 2013 Loans
Delinquent For:

| | 30-89 Days | | 90 Days or more | | Total Delinquent Loans | |
|--|------------|------|-----------------|------|------------------------|------|
| | Amount | % of | Amount | % of | Amount | % of |

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| | Delinquent Loans | | | Delinquent Loans | | | Delinquent | | |
|--------------------------------|------------------|-------|-----------|------------------|-----------|-------|------------|--|--|
| | 30-89 Days | | | 90 Days or more | | | | | |
| (dollars in thousands) | | | | | | | | | |
| Agricultural loans | \$68 | 21.9 | % \$400 | 8.5 | % \$468 | 9.5 | % | | |
| Commercial real estate loans | — | 0.0 | % 326 | 7.1 | % 326 | 6.6 | % | | |
| Commercial loans | — | 0.0 | % 1,826 | 39.4 | % 1,826 | 36.9 | % | | |
| Residential real estate | 244 | 78.1 | % 2,083 | 45.0 | % 2,327 | 47.0 | % | | |
| Installment and consumer other | — | 0.0 | % — | 0.0 | % — | 0.0 | % | | |
| Total | \$312 | 100.0 | % \$4,635 | 100.0 | % \$4,947 | 100.0 | % | | |

As of December 31, 2012 Loans

Delinquent For:

| | 30-89 Days | | | 90 Days or more | | | Total Delinquent Loans | | |
|--------------------------------|------------------|-------|-----------|------------------|-----------|-------|------------------------|--|--|
| | % of | | | % of | | | % of | | |
| | Delinquent Loans | | | Delinquent Loans | | | | | |
| | 30-89 | | | 90 Days or | | | | | |
| (dollars in thousands) | | | | | | | | | |
| Agricultural loans | \$32 | 1.7 | % \$927 | 14.5 | % \$959 | 11.5 | % | | |
| Commercial real estate loans | 1,567 | 81.8 | % 1,060 | 16.5 | % 2,627 | 31.5 | % | | |
| Commercial loans | 318 | 16.5 | % 3,205 | 50.0 | % 3,523 | 42.3 | % | | |
| Residential real estate | — | 0.0 | % 1,221 | 19.0 | % 1,221 | 14.7 | % | | |
| Installment and consumer other | — | 0.0 | % — | 0.0 | % — | 0.0 | % | | |
| Total | \$1,917 | 100.0 | % \$6,413 | 100.0 | % \$8,330 | 100.0 | % | | |

Allowance for Loan Losses

The allowance for loan losses is a valuation allowance for probable incurred credit losses inherent in the loan portfolio. This estimate includes losses associated with specifically identified loans, as well as estimated probable credit losses inherent in the remainder of the loan portfolio. Loan losses are charged against the allowance when, in our judgment, the uncollectability of all or a portion of the loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance. Reductions to the allowance occur as loans are charged off. We estimate the required amount of the allowance using a number of factors, including past loan loss experience, the nature of the portfolio, environmental conditions, information about specific borrower situations, and estimated collateral values. We evaluate the adequacy of the allowance for loan losses on a quarterly basis, although we may increase the frequency of our reviews as necessary. When additional allowance for loan loss is necessary, a provision for loan losses is charged to earnings.

Our methodology for assessing the sufficiency of the allowance for loan losses consists four components: (a) a general component related to performing or “pass rated” credits (the significant majority of the loan portfolio), (b) a nonimpairment component, (c) a specific component relating to loans that are individually classified as impaired, together with (d) a small unallocated portion. Although we determine the amount of each element of the allowance separately, the entire allowance for loan losses is available for the entire portfolio.

As disclosed in the notes to the financial statements, our allowance for loan losses our allowance for loan losses is comprised primarily of general reserves of \$8.1 million with a limited amount of specific reserves totaling \$2.3 million at December 31, 2015. This compares to \$7.7 million of general reserves and \$2.9 million of specific reserves at December 31, 2014.

General Component. The general component of the allowance for loan losses relates to loans that are not determined to be impaired. Management determines the appropriate loss factor for each segment of loans with similar risk characteristics within the portfolio based on that segment’s loss experience and several other quantitative, qualitative and environmental factors relevant to each segment. While loan segments generally represent groups of loans with similar risk characteristics, we may include loans categorized by loan grade, or any other characteristic that causes a loan’s risk profile to be similar to a group of loans. We consider estimated credit losses associated with each segment of our portfolio to differ from purely historical loss experience due to qualitative factors including changes in lending policies and procedures; changes in the nature and volume of the loan portfolio; quantitative factors including changes in the volume and severity of past due, nonaccrual, and adversely graded loans; changes in concentrations of credit; changes in the value of underlying collateral for collateral dependent loans; and environmental factors including changes in economic or business conditions; and the effect of competition, legal and regulatory requirements on estimated credit losses. The historical charge-off data is updated on a rolling quarterly basis, with the oldest quarter’s charge-off data being replaced with the most recent quarter’s charge-off data. We typically give more weight to the more recent charge-off data for each specific type of loan, as we believe that is more indicative of current trends. Our quantitative, qualitative, and environmental factors are reviewed on a quarterly basis for each loan segment and our historical loss experience is reviewed quarterly to ensure that our analysis is reflective of current conditions in our loan portfolio and economy.

Non-Impaired Component. Loans that have been downgraded to special mention or substandard, but are not currently impaired, are considered to have a higher inherent of risk of loss than pass rated loans. Management judgment is needed to estimate the additional risk of loss for these types of loans. Risk allocations on non-impaired special mention and substandard loans reflect management's assessment of the increased risk of loss associated with adversely graded loans. The allocated reserve for these loans is based upon management's assessment of loss history and risk migration analysis. Additionally, in determining the allocation, management considers the credit attributes of individual loans, including loan to value ratios, past due status, strength and willingness of the guarantors, and other relevant attributes generally found in these groups of loans.

Specific Component. The specific component of the allowance for loan losses relates to loans that are individually evaluated and determined to be impaired. The allowance for each impaired loan is determined by either the present value of expected future cash flows discounted at the loan's effective interest rate, the market price reasonably obtainable for the loans or, if the loan is collateral dependent, by the fair value of the collateral less estimated costs to sell. Collateral valuations are supported by current appraisals, which are discounted by us based upon a liquidation scenario. Impairment for other types of loans is measured using the fair value of the collateral less estimated costs to sell. We identify a loan as impaired when, based upon current information and events, it is probable that we will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. We consider a number of factors in determining impairment, including payment status, collateral value and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and

payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower.

Unallocated Component. The “unallocated” reserve component was discontinued effective December 31, 2013.

Discussion of Allowance for Loan Losses. At December 31, 2015, our allowance for loan losses was \$10.4 million, or 1.4% of loans and 42.3% of nonaccrual loans. The ratio of allowance for loan losses to nonaccrual loans is lower than in prior years due to the one agricultural relationship totaling \$11.6 million that was placed on nonaccrual at year-end. The credit is currently operating under a forbearance agreement, and in March 2016, one of the two farms securing the loans was sold, resulting in a pay down of approximately \$6.5 million. It is anticipated that other farm will be sold during the second quarter of 2016. At December 31, 2014 and 2013, our allowance for loan losses was \$10.6 million and \$10.5 million, or 1.6% and 1.8% of loans and 91.8% and 173.3% of nonaccrual loans, respectively. Nonaccrual loans at December 31, 2015 were \$24.6 million, or 3.3% of loans, compared to \$11.6 million, or 1.8% of loans at December 31, 2014, and \$6.1 million, or 1.1% of loans, at December 31, 2013.

Between December 31, 2014 and December 31, 2015, the Bank’s OREO portfolio declined from \$7.1 million to \$2.9 million, a reduction of \$4.2 million, or 59.8%. The reduction in the Bank’s OREO portfolio was the result of ongoing sales, a general reduction of new properties being foreclosed upon, and the write-down of some OREO balances to reflect the receipt of updated appraisals

Many of the factors that are evaluated in our analysis of the allowance for loan loss have stabilized and begun showing signs of improvement, including economic and business conditions and our most recent historical loss experience. Notwithstanding the improvement in the quantitative, qualitative and environmental factors, we anticipate we will resume making provisions to the allowance for loan losses to support growth in the loan portfolio in the near future, as circumstances warrant.

The allowance for loan losses is maintained at a level that represents management’s best estimate of probable incurred losses in the loan portfolio at the balance sheet date. However, there can be no assurance that the allowance for loan losses will be adequate to cover losses which may be realized in the future or that additional provisions for loan losses will not be required.

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The following table sets forth the breakdown of the allowance for loan losses by loan category at the dates indicated.

| | As of December 31, 2015 | | | As of December 31, 2014 | | | As of December 31, 2013 | | |
|--------------------------------|-------------------------|--------|-------------------|-------------------------|---------|-------------------|-------------------------|---------|-------------------|
| | % of | | | % of | | | % of | | |
| | Amount | ALL | Loans in Category | Amount | ALL | Loans in Category | Amount | ALL | Loans in Category |
| | (dollars in thousands) | | | | | | | | |
| Agricultural loans | \$6,355 | 61.10% | 1.27 % | \$3,456 | 32.59% | 0.83 % | \$3,144 | 29.95% | 0.84 % |
| Commercial real estate loans | 2,237 | 21.50% | 1.38 % | 3,326 | 31.37% | 2.42 % | 3,254 | 31.01% | 3.17 % |
| Commercial loans | 1,268 | 12.20% | 2.44 % | 2,420 | 22.82% | 4.50 % | 2,172 | 20.70% | 4.26 % |
| Residential real estate | 533 | 5.10 % | 1.54 % | 1,392 | 13.13 % | 3.40 % | 1,819 | 17.33 % | 4.56 % |
| Installment and consumer other | 12 | 0.10 % | 2.31 % | 9 | 0.09 % | 1.11 % | 3 | 0.03 % | 0.87 % |
| Unallocated | — | 0.00 % | 0.00 % | — | 0.00 % | 0.00 % | 103 | 0.98 % | 0.00 % |
| Total | \$10,405 | 100.0% | 1.39 % | \$10,603 | 100.0% | 1.64 % | \$10,495 | 100.0% | 1.84 % |

| | As of December 31, 2012 | | | As of December 31, 2011 | | |
|--------------------------------|-------------------------|--------|-------------------|-------------------------|--------|-------------------|
| | % of | | | % of | | |
| | Amount | ALL | Loans in Category | Amount | ALL | Loans in Category |
| | (dollars in thousands) | | | | | |
| Agricultural loans | \$3,333 | 26.62% | 0.87 % | \$1,946 | 21.41% | 0.61 % |
| Commercial real estate loans | 4,838 | 38.64% | 3.92 % | 3,766 | 41.42% | 2.79 % |
| Commercial loans | 2,283 | 18.23% | 3.94 % | 1,316 | 14.48% | 2.37 % |
| Residential real estate | 1,755 | 14.02% | 3.58 % | 1,954 | 21.50% | 3 |
| Installment and consumer other | 13 | 0.10 % | 1.16 % | 6 | 0.07 % | 0.62 % |
| Unallocated | 299 | 2.39 % | 0.00 % | 102 | 1.12 % | 0.00 % |
| Total | \$12,521 | 100.0% | 2.04 % | \$9,090 | 100.0% | 1.58 % |

Analysis of Loan Loss Experience. The following table sets forth an analysis of the allowance for loan losses for the periods indicated.

| | For the Year Ended December 31, | | | | |
|---|---------------------------------|----------|----------|----------|----------|
| | 2015 | 2014 | 2013 | 2012 | 2011 |
| Balance, beginning of period | \$10,603 | \$10,495 | \$12,521 | \$9,090 | \$13,245 |
| Provision for (recovery of) loan losses | (1,019) | 589 | 4,200 | 4,200 | 4,475 |
| Loans charged off: | | | | | |
| Agriculture loans | 1,145 | 115 | — | — | 634 |
| Commercial real estate loans | 162 | 141 | 3,361 | 1,144 | 2,441 |
| Commercial loans | 415 | 339 | 132 | 94 | 878 |
| Residential real estate loans | 178 | 52 | 2,945 | 282 | 4,740 |
| Installment and consumer other | 7 | — | — | — | — |
| Total loans charged off | \$1,907 | \$647 | \$6,438 | \$1,520 | \$8,693 |
| Recoveries: | | | | | |
| Agriculture loans | 61 | 21 | 16 | 72 | 19 |
| Commercial real estate loans | 743 | 126 | 185 | 352 | 28 |
| Commercial loans | 1,197 | 18 | 3 | 296 | 16 |
| Residential real estate loans | 727 | 1 | 8 | 32 | — |
| Installment and consumer other | — | — | — | (1) | — |
| Total recoveries | \$2,728 | \$166 | \$212 | \$751 | \$63 |
| Net loans charged off (recovered) | \$(821) | \$481 | \$6,226 | \$769 | \$8,630 |
| Allowance for loan losses, end of period | \$10,405 | \$10,603 | \$10,495 | \$12,521 | \$9,090 |
| Net charge-offs (recoveries) to average loans | (0.12)% | 0.08 % | 1.05 % | 0.13 % | 1.47 % |
| Allowance for loan losses to total loans | 1.39 % | 1.64 % | 1.84 % | 2.04 % | 1.58 % |

Market Risk Management

General. Market risk refers to potential losses arising from changes in interest rates, commodity prices, such as milk prices, and/or other relevant market rates or prices. We are exposed to market risk as a result of our banking activities. Our market risk is comprised primarily of interest rate risk. As a financial institution, the majority of our assets and liabilities are sensitive to changes in interest rates. Therefore, a principal part of our operations is to manage interest rate risk and limit our exposure to changes in market interest rates. We manage the interest rate sensitivity of our interest-bearing liabilities and interest-earning assets in an effort to minimize the adverse effects of changes in the interest rate environment.

A major source of interest rate risk is a difference in the repricing of assets, on the one hand, and liabilities on the other. First, there are differences in the timing of rate changes reflecting the maturity and/or repricing of assets and liabilities. For example, the rate earned on a commercial real estate loan may be fixed for 10 years, while the rate paid on a certificate of deposit may be fixed only for a few months. Due to these timing differences, net interest income is sensitive to changes in the level and shape of the yield curve. Second, there are differences in the drivers of rate changes of various assets and liabilities known as basis risk. For example, commercial loans may reprice based on one-month LIBOR or prime, while the rate paid on retail money market demand accounts may be only loosely correlated with LIBOR and depend on competitive demand for funds. Due to these basis differences, net interest income is sensitive to changes in spreads between certain indices or repricing rates.

Another important source of interest rate risk relates to the potential exercise of explicit or embedded options for prepayment or withdrawal. For example, most residential real estate loans can be prepaid without penalty, and most

consumer deposits can be withdrawn without penalty. The exercise of such options by customers can exacerbate the timing differences discussed above.

Deposit accounts typically react more quickly to changes in market interest rates than loans because of the shorter maturities of deposits. However, given the asset sensitive nature of our balance sheet, a decrease in interest rates may adversely affect our earnings while increases in interest rates may beneficially affect our earnings. To reduce the potential volatility of our earnings, we have sought to improve the match between asset and liability maturities and rates, while maintaining an acceptable interest rate spread. Our strategy for managing interest rate risk emphasizes adjustable-rate loans for retention in our loan portfolio, promoting core deposit products and time deposits, adjusting the maturities of borrowings and adjusting the investment portfolio mix and duration.

We have an asset/liability committee, which includes members of management, to communicate, coordinate and control all aspects involving asset-liability management. The committee establishes and monitors the volume, maturities, pricing and mix of

assets and funding sources with the objective of managing assets and funding sources to provide results that are consistent with liquidity, growth, risk limits and profitability goals.

Our goal is to manage asset and liability positions to moderate the effects of interest rate fluctuations on net interest income and net income and control exposure to interest rate risk within policy limits approved by our board of directors. These limits and guidelines reflect our tolerance for interest rate risk over both short-term and long-term horizons. We analyze our sensitivity to changes in interest rates through our net interest income simulation model. Exposures are reported on a monthly basis to the asset and liability committee and at meetings of our board of directors.

Net Interest Income Simulation Analysis. Net interest income is the difference between the interest income we earn on our interest-earning assets, such as loans and securities, and the interest we pay on our interest-bearing liabilities, such as deposits and borrowings.

Income simulation is the primary tool for measuring the interest rate risk inherent in our balance sheet at a given point in time by showing the effect on net interest income, over specified time horizons, under a range of interest rate shock scenarios. These simulations take into account repricing, maturity and prepayment characteristics of individual products. We estimate what our net interest income would be for a one- and two-year horizon based on current interest rates. We then calculate what the net interest income would be for the same period under different interest rate assumptions.

These estimates require us to make certain assumptions, including loan and mortgage-related investment prepayment speeds, reinvestment rates, and deposit maturities and decay rates. These assumptions are inherently uncertain, and, as a result, we cannot precisely predict the impact of changes in interest rates on our net interest income. Although the net interest income table below provides an indication of our interest rate risk exposure at a particular point in time, such estimates are not intended to, and do not, provide a precise forecast of the effect of changes in market interest rates on our net interest income and will differ from actual results

The following table shows the estimated impact on net interest income for the one- and two-year periods beginning December 31, 2015 resulting from potential changes in interest rates. The net interest income simulation analyses assume a static balance sheet and do not include possible future actions that management might undertake to mitigate this risk.

| | Net Interest Income | Year 1 Change | | Net Interest Income | Year 2 Change |
|------------|---|------------------|---|---|------------------|
| Rate Shift | Year 1 Forecast (dollars in thousands) | from Base | % | Year 2 Forecast (dollars in thousands) | from Base |
| +400 bps | \$ 40,375 | 40.41 | % | \$ 90,611 | 54.38 % |
| +300 bps | 37,231 | 29.48 | % | 81,943 | 39.61 % |
| +200 bps | 34,065 | 18.47 | % | 73,239 | 24.78 % |
| +100 bps | 30,875 | 7.38 | % | 64,499 | 9.89 % |
| Base | 28,754 | 0.00 | % | - | 0.00 % |
| -100 bps | 29,092 | 1.18 | % | 59,838 | 1.95 % |

As of December 31, 2015, net interest income simulation indicated that our exposure to changing interest rates was within our internal policy guidelines. As the table illustrates, our balance sheet is asset-sensitive over a one and two year time horizon and net interest income would increase as interest rates increase. It should be noted that the magnitude of any possible increase in interest rates is constrained by the low absolute starting levels of rates. While immediate, proportional and severe shifts in interest rates upward were used as part of this analysis, we believe that any actual shift in interest rates would likely be more gradual and would therefore have a more modest impact.

Depending on the relationship between long-term and short-term interest rates, market conditions and consumer preference, we may place greater emphasis on maximizing our net interest margin than on strictly matching the interest rate sensitivity of our assets and liabilities. We believe that our level of interest rate risk is acceptable using this approach.

Economic Value of Equity Analysis. We also analyze the sensitivity of our financial condition to changes in interest rates through our economic value of equity model. This analysis measures the difference between predicted changes in the present value of our assets and predicted changes in the present value of our liabilities assuming various changes in current interest rates. As with the net interest income simulation model, the estimates of changes in the economic value of our equity require certain assumptions to be made. These assumptions include loan and mortgage-related investment prepayment speeds, reinvestment rates, and deposit maturities and decay rates. These assumptions are inherently uncertain, and, as a result, we cannot precisely predict the impact of changes in interest rates on the economic value of our equity. Although our economic value of equity analysis provides an indication of our

interest rate risk exposure at a particular point in time, such estimates are not intended to, and do not, provide a precise forecast of the effect of changes in market interest rates on the economic value of our equity and will differ from actual results.

Our economic value of equity analysis as of December 31, 2015 is set forth below. The impact on our economic value of equity under all scenarios referenced in the table below are within policy guidelines.

| Rate Shift ⁽¹⁾ | Economic Value of Equity (dollars in thousands) | % Change In |
|---------------------------|---|-------------|
| +400 bps | \$ 150,048 | 22.83 % |
| +300 bps | 144,110 | 17.96 % |
| +200 bps | 137,466 | 12.53 % |
| +100 bps | 130,031 | 6.44 % |
| Base | 122,164 | 0.00 % |
| -100 bps | 119,729 | (1.99)% |

(1) The calculated changes assume an immediate and proportional shock of the static yield curve.

Liquidity Management and Capital Resources

Liquidity is the ability to meet current and future financial obligations of a short-term and long-term nature. Our primary sources of funds consist of deposit inflows, loan repayments, maturities and sales of securities and borrowings from the FHLB. While maturities and scheduled amortization of loans and securities are predictable sources of funds, deposit flows, calls of investment securities and borrowed funds and prepayments on loans are greatly influenced by general interest rates, economic conditions and competition. At December 31, 2015, the Bank had fixed rate advances outstanding with FHLB of \$66.4 million and no borrowings outstanding at the Federal Reserve Bank of Chicago. The Bank had unused collateral of \$238.2 million with FHLB and a \$50 million line-of-credit available with the Federal Reserve Bank of Chicago at December 31, 2015.

Management adjusts our investments in liquid assets based upon an assessment of (1) expected loan demand, (2) expected deposit flows, (3) yields available on interest-earning deposits and securities, (4) the objectives of our interest-rate risk and investment policies and (5) the risk tolerance of management and our board of directors.

Our cash flows are composed of three primary classifications: cash flows from operating activities, investing activities, and financing activities. Net cash provided by operating activities was \$7.1 million, \$15.5 million, and \$14.3 million, for the years ended December 31, 2015, 2014, and 2013, respectively. Net cash provided by (used in) investing activities, which consists primarily of purchases of and proceeds from the sale, maturities/calls, and principal repayments of securities available for sale, as well as loan purchases, sales and originations, net of repayments was \$(103.7) million, \$(81.1) million, and \$16.8 million, for the years ended December 31, 2015, 2014, and 2013, respectively. Net cash provided by (used in) financing activities, consisting primarily of the activity in deposit accounts and FHLB and Federal Discount advances, was \$101.1 million, \$4.3 million, and \$(4.0) million, for the years ended December 31, 2015, 2014, and 2013, respectively.

At December 31, 2015, the Bank exceeded all of its regulatory capital requirements to be considered well-capitalized with a Tier 1 leverage capital of \$115.0 million, or 13.29% of average total assets, which is above the required level of \$43.3 million, or 5.0% of average total assets, and total risk-based capital of \$125.4 million, or 15.19% of risk-weighted assets, which is above the required level of \$82.5 million, or 10.0% of risk-weighted assets. The Bank had Tier 1 risk-based capital of \$115.0 million, or 13.94% of risk-weighted assets, which is above the required level of \$66.0 million, or 8.0% of risk-weighted assets, and Tier 1 common equity of \$115.0 million, or 13.94% of risk-weighted assets, which is above the required level of \$53.6 million, or 6.5% of risk-weighted assets at December 31, 2015. For a discussion of certain other sources of liquidity, please see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Borrowings.”

At the holding company level, our primary sources of liquidity are dividends from the Bank, investment income and net proceeds from investment sales, borrowings and capital offerings. The main uses of liquidity are the payment of interest to holders of our junior subordinated debentures and interest and payment of dividends to preferred shareholders. There are certain restrictions on the payment of dividends by the Bank to us, which are described in the section captioned “Supervision and Regulation—Regulation and Supervision of the Bank—Dividend Payments.” At December 31, 2015, there were \$63.6 million of retained earnings available for the payment of dividends by the Bank to us. The Bank paid us \$1.2 million in dividends during each year ended December 31, 2015 and 2014.

Off-Balance Sheet Arrangements

In the normal course of operations, we engage in a variety of financial transactions that, in accordance with generally accepted accounting principles, are not recorded in our financial statements. These transactions involve, to varying degrees, elements of credit, interest rate and liquidity risk. Such transactions are used primarily to manage customers' requests for funding and take the form of commitments to extend credit. For information about our off-balance sheet arrangements, see Note 13 to our Consolidated Financial Statements located elsewhere in this Form 10-K.

At December 31, 2015, we had outstanding commitments to originate loans and unadvanced funds on loans of \$179.8 million. We anticipate that we will have sufficient funds available to meet our current loan origination commitments. Certificates of deposit that are scheduled to mature in one year or less from December 31, 2015 totaled \$160.6 million. If a substantial portion of these deposits is not retained, we may utilize FHLB advances or raise interest rates on deposits to attract new accounts, which may result in higher levels of interest expense. At December 31, 2015, we had no irrevocable and stand-by-letters of credit from the FHLB.

For the years ended December 31, 2015, 2014, and 2013, we did not engage in any off-balance sheet transactions reasonably likely to have a material effect on our financial condition, results of operations or cash flows.

Effect of Inflation and Changing Prices

The consolidated financial statements and related financial data presented in this Form 10-K have been prepared according to generally accepted accounting principles in the United States, which require the measurement of financial position and operating results in terms of historical dollars without considering the change in the relative purchasing power of money over time due to inflation. The primary impact of inflation on our operations is reflected in increased operating costs and the effect that general inflation may have on both short-term and long-term interest rates. Virtually all the assets and liabilities of a financial institution are monetary in nature. As a result, interest rates generally have a more significant impact on a financial institution's performance than do general levels of inflation. Although inflation expectations do affect interest rates, interest rates do not necessarily move in the same direction or to the same extent as the prices of goods and services.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As a smaller reporting company, the Company is not required to provide the information required by this item.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO CONSOLIDATED FINANCIAL STATEMENT OF COUNTY BANCORP, INC.

| | |
|--|----|
| <u>Report of Independent Registered Public Accounting Firm</u> | 55 |
| Consolidated Financial Statements | |
| <u>Consolidated Balance Sheets</u> | 56 |
| <u>Consolidated Statements of Operations</u> | 57 |
| <u>Consolidated Statements of Comprehensive Income</u> | 58 |
| <u>Consolidated Statements of Shareholders' Equity</u> | 59 |
| <u>Consolidated Statements of Cash Flows</u> | 60 |
| <u>Notes to Consolidated Financial Statements</u> | 61 |

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders of

County Bancorp, Inc.

Manitowoc, Wisconsin

We have audited the accompanying consolidated balance sheets of County Bancorp, Inc. and subsidiaries as of December 31, 2016 and 2015, and the related consolidated statements of operations, comprehensive income, shareholders' equity, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of County Bancorp, Inc. and subsidiaries as of December 31, 2016 and 2015, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

/s/ CliftonLarsonAllen LLP

Milwaukee, Wisconsin

March 23, 2016

COUNTY BANCORP, INC AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

December 31, 2015 and 2014

| | 2015 (dollars in thousands) | 2014 |
|--|--------------------------------|-------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 14,907 | \$ 10,480 |
| Securities available for sale, at fair value | 83,281 | 81,282 |
| FHLB Stock, at cost | 3,507 | 1,252 |
| Loans held for sale | 9,201 | 4,114 |
| Loans, net of allowance for loan losses of \$10,405 as of December 31, 2015, \$10,603 as of December 31, 2014 | 737,784 | 637,519 |
| Premises and equipment, net | 7,165 | 4,596 |
| Loan servicing rights | 8,145 | 7,746 |
| Other real estate owned, net | 2,872 | 7,137 |
| Cash surrender value of bank owned life insurance | 11,155 | 10,863 |
| Deferred tax asset, net | 2,048 | 2,321 |
| Accrued interest receivable and other assets | 4,824 | 4,446 |
| Total assets | \$ 884,889 | \$ 771,756 |
| LIABILITIES | | |
| Deposits: | | |
| Noninterest-bearing | \$ 70,914 | \$ 81,534 |
| Interest-bearing | 601,312 | 523,935 |
| Total deposits | 672,226 | 605,469 |
| Other borrowings | 3,945 | 23,857 |
| Advances from FHLB | 66,445 | 28,000 |
| Subordinated debentures | 12,372 | 12,372 |
| Accrued interest payable and other liabilities | 7,877 | 7,015 |
| Total liabilities | 762,865 | 676,713 |
| Small Business Lending Fund redeemable preferred stock-variable rate, | \$ 15,000 | \$ 15,000 |

noncumulative,
nonparticipating, \$1,000
stated value; 15,000 shares
authorized and

issued, \$15,000
redemption amount

SHAREHOLDERS' EQUITY

Preferred stock-variable
rate, non-cumulative,
nonparticipating, \$1,000
stated value;

15,000 shares authorized;
8,000 shares issued

8,000

8,000

Common stock - \$0.01 par
value; 50,000,000
authorized; 6,192,609
shares issued and

5,771,001 shares
outstanding as of
December 31, 2015 and
4,908,560 shares issued

and 4,498,790 shares
outstanding as of
December 31, 2014

19

5

Surplus

34,717

16,970

Retained earnings

68,825

59,254

Treasury stock, at cost,
421,608 and 409,770
shares, respectively

(4,758)

(4,572)

Accumulated other
comprehensive income

221

386

Total shareholders' equity

107,024

80,043

Total liabilities and
shareholders' equity

\$ 884,889

\$ 771,756

See accompanying notes to the consolidated financial statements

COUNTY BANCORP, INC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

Years Ended December 31, 2015 and 2014

| | 2015 | 2014 |
|---|--|----------------|
| | (dollars in thousands except per share data) | |
| INTEREST AND DIVIDEND INCOME | | |
| Loans, including fees | \$32,301 | \$29,416 |
| Taxable securities | 964 | 897 |
| Tax-exempt securities | 437 | 474 |
| Federal funds sold and other | 65 | 110 |
| Total interest and dividend income | 33,767 | 30,897 |
| INTEREST EXPENSE | | |
| Deposits | 6,238 | 6,154 |
| FHLB advances and other borrowed funds | 882 | 903 |
| Subordinated debentures | 400 | 480 |
| Total interest expense | 7,520 | 7,537 |
| Net interest income | 26,247 | 23,360 |
| Provision for loan losses | (1,019) | 589 |
| Net interest income after provision for loan losses | 27,266 | 22,771 |
| NON-INTEREST INCOME | | |
| Services charges | 1,039 | 788 |
| Gain on sale of loans, net | 429 | 321 |
| Loan servicing fees | 5,323 | 4,938 |
| Other | 894 | 1,101 |
| Total non-interest income | 7,685 | 7,148 |
| NON-INTEREST EXPENSE | | |
| Employee compensation and benefits | 10,769 | 10,209 |
| Occupancy | 338 | 299 |
| Write-down of other real estate owned | 256 | 1,190 |
| Other | 6,095 | 5,327 |
| Total non-interest expense | 17,458 | 17,025 |
| Income before income taxes | 17,493 | 12,894 |
| Income tax expense | 6,519 | 4,684 |
| NET INCOME | \$10,974 | \$8,210 |
| NET INCOME PER SHARE: | | |
| Basic | \$1.85 | \$1.73 |
| Diluted | \$1.82 | \$1.69 |
| Dividends paid per share | \$0.16 | \$- |

See accompanying notes to the consolidated financial statements

COUNTY BANCORP, INC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years Ended December 31, 2015 and 2014

| | 2015 | 2014 |
|--|---------------------------|---------|
| | (dollars in thousands) | |
| Net income | \$10,974 | \$8,210 |
| Other comprehensive income (loss): | | |
| Unrealized gains (losses) on securities available for sale | (270) | 687 |
| Income tax (expense) benefit | 105 | (270) |
| Total other comprehensive income (loss) | (165) | 417 |
| Comprehensive income | \$10,809 | \$8,627 |

See accompanying notes to the consolidated financial statements

COUNTY BANCORP, INC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Years Ended December 31, 2015 and 2014

| | Preferred Stock | | Common Stock | Retained Earnings | Treasury Stock | Accumulated Other Comprehensive Income (Loss) | Total Shareholders' Equity |
|---|------------------------|-------|--------------|-------------------|----------------|---|----------------------------|
| | Stock | Stock | Surplus | Earnings | Stock | (Loss) | Equity |
| | (dollars in thousands) | | | | | | |
| Balance at December 31, 2013 | \$8,000 | \$ 5 | \$16,004 | \$51,514 | \$(3,683) | \$ (31) | \$ 71,809 |
| Net income | — | — | — | 8,210 | — | — | 8,210 |
| Other comprehensive income | — | — | — | — | — | 417 | 417 |
| Stock compensation expense, net of tax | — | — | 154 | — | — | — | 154 |
| Purchase of treasury stock (44,790 shares) | — | — | — | — | (889) | — | (889) |
| Cash dividends declared on preferred stock | — | — | — | (320) | — | — | (320) |
| Cash dividends declared on SBLF preferred stock | — | — | — | (150) | — | — | (150) |
| Proceeds from sale of common stock (44,790 shares) | — | — | 812 | — | — | — | 812 |
| Balance at December 31, 2014 | \$8,000 | \$ 5 | \$16,970 | \$59,254 | \$(4,572) | \$ 386 | \$ 80,043 |
| Net income | — | — | — | 10,974 | — | — | 10,974 |
| Other comprehensive income | — | — | — | — | — | (165) | (165) |
| Stock compensation expense, net of tax | — | — | 360 | — | — | — | 360 |
| Purchase of treasury stock (11,838 shares) | — | — | 32 | — | (186) | — | (154) |
| Cash dividends declared on common stock | — | — | — | (918) | — | — | (918) |
| Cash dividends declared on preferred stock | — | — | — | (320) | — | — | (320) |
| Cash dividends declared on SBLF preferred stock | — | — | — | (165) | — | — | (165) |
| Proceeds from sale of common stock (1,284,049 shares) | — | 14 | 17,355 | — | — | — | 17,369 |
| Balance at December 31, 2015 | \$8,000 | \$ 19 | \$34,717 | \$68,825 | \$(4,758) | \$ 221 | \$ 107,024 |

See accompanying notes to the consolidated financial statements

COUNTY BANCORP, INC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31, 2015 and 2014

| | 2015 | 2014 |
|---|------------------------|----------|
| | (dollars in thousands) | |
| Cash flows from operating activities | | |
| Net income | \$10,974 | \$8,210 |
| Adjustments to reconcile net income to cash provided by operating activities: | | |
| Depreciation and amortization of premises and equipment | 592 | 611 |
| Provision for loan losses | (1,019) | 589 |
| Realized loss on sales of other real estate owned | 254 | 278 |
| Write-down of other real estate owned | 256 | 1,190 |
| Realized gain on sales of premises and equipment | (2) | — |
| Increase in cash surrender value of bank owned life insurance | (293) | (286) |
| Deferred income tax expense | 380 | 731 |
| Stock compensation expense, net | 360 | 154 |
| Net amortization of securities | 569 | 512 |
| Net change in: | | |
| Accrued interest receivable and other assets | (378) | (407) |
| Loans held for sale | (5,087) | 3,238 |
| Loan servicing rights | (399) | (217) |
| Accrued interest payable and other liabilities | 862 | 853 |
| Net cash provided by operating activities | 7,069 | 15,456 |
| Cash flows from investing activities | | |
| Proceeds from maturities, principal repayments, and call of securities available for sale | 8,435 | 11,566 |
| Purchases of securities available for sale | (11,274) | (19,664) |
| Purchases of FHLB stock | (2,255) | — |
| Loan originations and principal collections, net | (100,775) | (80,786) |
| Proceeds from sales of premises and equipment | 8 | 65 |
| Purchases of premises and equipment | (3,167) | (1,038) |
| Capitalized additions to other real estate owned | (39) | (438) |
| Proceeds from sales of other real estate owned | 5,324 | 9,237 |
| Net cash used in investing activities | (103,743) | (81,058) |
| Cash flows from financing activities | | |
| Net increase in demand and savings deposits | 24,062 | 38,226 |
| Net increase (decrease) in certificates of deposits | 42,694 | (49,065) |
| Net change in other borrowings | (19,912) | 9,688 |
| Proceeds from FHLB Advances | 795,695 | 11,000 |
| Repayment of FHLB Advances | (757,250) | (5,000) |
| Proceeds from sale of treasury stock | (154) | (889) |
| Proceeds from issuance of common stock | 17,369 | 812 |
| Dividends paid on common stock | (918) | — |
| Dividends paid on preferred stock | (320) | (320) |
| Dividends paid on SBLF preferred stock | (165) | (150) |
| Net cash provided by financing activities | 101,101 | 4,302 |
| Net change in cash and cash equivalents | 4,427 | (61,300) |

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| | | |
|---|-----------|-----------|
| Cash and cash equivalents, beginning of period | 10,480 | 71,780 |
| Cash and cash equivalents, end of period | \$ 14,907 | \$ 10,480 |
| Supplemental disclosure of cash flow information: | | |
| Cash paid during the period for: | | |
| Interest | \$ 7,435 | \$ 7,531 |
| Income taxes | 5,860 | 4,497 |
| Noncash investing activities: | | |
| Transfer from loans to other real estate owned | \$ 1,530 | \$ 1,321 |
| Loans charged off | 1,907 | 647 |

See accompanying notes to the consolidated financial statements

COUNTY BANCORP, INC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015 and 2014

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of County Bancorp, Inc. (the “Company”) and its subsidiaries conform to accounting principles generally accepted in the United States of America (“GAAP”) and to general practice within the banking industry. The following is a description of the more significant of those policies.

Nature of Business and Significant Concentrations of Credit Risk

The Company is the sole shareholder of Investors Community Bank (“the Bank”) and County Acquisition LLC, a Wisconsin limited liability company. The Bank is the sole shareholder of ICB Investments Corp, a wholly-owned Nevada subsidiary and sole member of Investors Insurance Services, LLC and ABS 1, LLC, which are both Wisconsin limited liability companies. The Company commenced operations in May of 1996; the Bank commenced operations in March of 1997. ICB Investments Corp commenced operations in 2001. In July of 2010, the Bank formed Investors Insurance Services, LLC for the sole purpose of protecting the Bank from liability risk when selling crop insurance. Selling crop insurance had historically been a business function performed within the Bank and is not a new service. In September of 2011, the Bank formed ABS 1, LLC, for the sole purpose of holding real estate and personal property for sale which was obtained through repossession. In November 2015, the Company formed County Acquisition LLC, for the sole purpose of acquiring Fox River Valley Bancorp, Inc.

The Bank provides a full range of banking and related financial services which includes real estate lending, business services, and agricultural finance to individual and corporate customers primarily located within the state of Wisconsin. The Bank’s primary source of revenue is providing loans to customers, who are predominantly engaged in dairy farming and commercial activities. Its primary deposit products are savings and term certificate accounts. The Bank is subject to competition from other financial institutions and is regulated by federal and state banking agencies and undergoes periodic examinations by those agencies.

The Company has no other significant activities other than ownership of the Bank. Note 4 discusses the types of securities that the Company invests in. Note 5 discusses the types of lending that the Company engages in.

Agricultural loans, including agricultural operating, real estate and construction, represent 67% and 64% of our total loan portfolio at December 31, 2015 and 2014, respectively. Commercial real estate, including commercial construction loans, represents 22% and 21% of our total loan portfolio at December 31, 2015 and 2014, respectively.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, the Bank, County Acquisition LLC, and the Bank’s wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation. The Company also has two wholly-owned subsidiaries, County Bancorp Statutory Trust II and County Bancorp Statutory Trust III, that are both Delaware statutory trusts, which have

not been consolidated in accordance with accounting guidance related to variable interest entities.

Use of Estimates in Preparing Financial Statements

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of valuation of securities available for sale, the allowance for loan losses, loan servicing rights, other real estate owned, fair values of financial instruments, and deferred tax assets. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the consolidated statements of cash flows, cash and cash equivalents include cash and balances due from banks and federal funds sold, all of which mature within 90 days.

In the normal course of business, the Company maintains balances with correspondent banks. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (the "FDIC") up to specified limits. Management believes these financial institutions have strong credit ratings and the credit risk related to these deposits is minimal.

Securities Available for Sale

Available for sale securities are carried at fair value with unrealized gains and losses excluded from earnings and reported separately in other comprehensive income (loss). The Company currently has no securities designated as trading or held-to-maturity. Purchase premiums and discounts are recognized in interest income using the interest method over the terms of the securities. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method. They are included in non-interest income or expense and, when applicable, are reported as a reclassification adjustment in other comprehensive income (loss).

Declines in the fair value of individual available for sale securities below their cost that are other than temporary result in write-downs of the individual securities to their fair value. The Company monitors the investment security portfolio for impairment on an individual security basis and has a process in place to identify securities that could potentially have a credit impairment that is other than temporary. This process involves analyzing the length of time and the extent to which the fair value has been less than the amortized cost basis, the market liquidity for the security, the financial condition and near-term prospects of the issuer, expected cash flows, and the Company's intent and ability to hold the investment for a period of time sufficient to recover the temporary impairment. A decline in value due to a credit event that is considered other than temporary is recorded as a loss in non-interest income.

Federal Home Loan Bank Stock

The Bank, as a member of the Federal Home Loan Bank of Chicago (the "FHLB"), is required to maintain an investment in the capital stock of the FHLB based on the level of borrowings and other factors, and may invest additional amounts. Based on the redemption provisions of the FHLB, the stock has no quoted market value and is carried at cost. It is periodically evaluated by management for impairment. Because it is viewed as a long term investment, impairment is based on ultimate recovery of par value. Both stock and cash dividends are reported as income.

Loans Held for Sale

Loans originated and intended for sale in the secondary market are carried at the lower of cost or fair value. Gains and losses on loan sales (sale proceeds minus carrying value) are recorded in non-interest income and direct loan origination costs and fees are deferred at origination of the loan and are recognized in non-interest income upon sale of the loan.

Loans

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at their outstanding unpaid principal balances adjusted for unearned income and the allowance for loan losses. Interest income is accrued on the unpaid principal balance. Loan origination fees, non-refundable fees and direct loan origination costs on real estate and commercial loans are, in the opinion of management, insignificant and recognized as current income and are not accounted for as an adjustment of yield of the related loan categories.

The accrual of interest on mortgage and commercial loans is discontinued at the time the principal and interest is 90 days delinquent unless the credit is well-secured and in the process of collection. Past due status is based on contractual terms of the loan. In all cases, loans are placed on nonaccrual or charged-off at an earlier date if collection

of principal or interest is considered doubtful.

All interest accrued but not collected for loans that are placed on nonaccrual or charged off is reversed against interest income. The interest on nonaccrual loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Allowance for Loan Losses

The allowance for loan losses (hereinafter referred to as “allowance”) is an estimate of loan losses inherent in the Company’s loan portfolio. The allowance is established through a provision for loan losses which is charged to expense. Additions to the allowance are expected to maintain the adequacy of the total allowance after loan losses and loan growth. Loan losses are charged off against the

allowance when the Company determines the loan balance to be uncollectible. Cash received on previously charged off amounts is recorded as a recovery to the allowance.

The allowance consists of two primary components, general reserves and specific reserves related to impaired loans. The general component covers non-impaired loans and is based on historical losses adjusted for current factors. The historical loss experience is determined by portfolio segment and is based on a weighted average of the actual loss history experienced by the Company over the most recent four years. The Company places more emphasis, or weight, on the more current quarters in the loss history period. This actual loss experience is adjusted for economic factors based on the risks present for each portfolio segment. These economic factors include consideration of the following: levels of and trends in delinquencies and impaired loans; levels of and trends in charge-offs and recoveries; trends in volume and terms of loans; effects of any changes in risk selection and underwriting standards; other changes in lending policies, procedures, and practices; experience, ability, and depth of lending management and other relevant staff; national and local economic trends and conditions; industry conditions; and effects of changes in credit concentrations. These factors are inherently subjective and are driven by the repayment risk associated with each portfolio segment.

A loan is considered impaired when, based on current information and events, it is probable that the Company will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed. Impairment is generally measured on a loan by loan basis by either the present value of expected future cash flows discounted at the loans' effective interest rate, the loan's obtainable market price, or the fair value of the collateral if the loan is collateral dependent.

Under certain circumstances, the Company will provide borrowers relief through loan restructurings. A restructuring of debt constitutes a troubled debt restructuring ("TDR") if the Company for economic or legal reasons related to the borrower's financial difficulties grants a concession to the borrower that it would not otherwise consider. Restructured loans typically present an elevated level of credit risk as the borrowers are not able to perform according to the original contractual terms. Loans that are reported as TDRs are considered impaired and measured for impairment as described above. TDR concessions can include reduction of interest rates, extension of maturity dates, forgiveness of principal or interest due, or acceptance of other assets in full or partial satisfaction of the debt. Restructured loans can involve loans remaining on nonaccrual, moving to nonaccrual, or continuing on accrual status, depending on the individual facts and circumstances of the borrower. Nonaccrual restructured loans are included and treated with other nonaccrual loans.

Large groups of smaller balance homogeneous loans are collectively evaluated for impairment. Accordingly, the Company does not separately identify individual consumer and residential loans for impairment disclosures, unless such loans are the subject of a restructuring agreement due to financial difficulties of the borrower.

The Company maintains a separate general valuation allowance for each portfolio segment. These portfolio segments include agricultural, commercial, commercial real estate, residential real estate, installment and consumer other with risk characteristics described as follows:

Agricultural: Agricultural loans generally possess a lower inherent risk of loss than real estate portfolio segments because these loans are generally underwritten to existing cash flows of operating businesses. Debt coverage is

provided by business cash flows and economic trends influenced by unemployment rates and other key economic indicators are closely correlated to the credit quality of these loans.

Commercial: Commercial loans generally possess a lower inherent risk of loss than real estate portfolio segments because these loans are generally underwritten to existing cash flows of operating businesses. Debt coverage is provided by business cash flows and economic trends influenced by unemployment rates and other key economic indicators are closely correlated to the credit quality of these loans.

Commercial Real Estate: Commercial real estate loans generally possess a higher inherent risk of loss than other real estate portfolio segments, except land and construction loans. Adverse economic developments or an overbuilt market impact commercial real estate projects and may result in troubled loans. Trends in vacancy rates of commercial properties impact the credit quality of these loans. High vacancy rates reduce operating revenues and the ability for the properties to produce sufficient cash flow to service debt obligations.

Residential Real Estate: The degree of risk in residential mortgage and home equity lending depends primarily on the loan amount in relation to collateral value, the interest rate and the borrower's ability to repay in an orderly fashion. These loans generally possess a lower inherent risk of loss than other real estate portfolio segments. Economic trends determined by

unemployment rates and other key economic indicators are closely correlated to the credit quality of these loans. Weak economic trends indicate that the borrowers' capacity to repay their obligations may be deteriorating.

Installment and Consumer Other: The installment and consumer other loan portfolio is usually comprised of a large number of small loans. Most loans are made directly for consumer purchases. Economic trends determined by unemployment rates and other key economic indicators are closely correlated to the credit quality of these loans. Weak economic trends indicate the borrowers' capacity to repay their obligations may be deteriorating.

Although management believes the allowance to be adequate, ultimate losses may vary from its estimates. At least quarterly, the board of directors reviews the adequacy of the allowance, including consideration of the relevant risks in the portfolio, current economic conditions and other factors. If the board of directors and management determine that changes are warranted based on those reviews, the allowance is adjusted. In addition, the Company's primary regulator reviews the adequacy of the allowance. The regulatory agencies may require additions to the allowance based on their judgment about information available at the time of their examinations.

Bank Premises and Equipment

Land is carried at cost. Bank premises and equipment are carried at cost, less accumulated depreciation. Depreciation is computed on the straight line method. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any recognized gain or loss is reflected in income for the period. The cost of maintenance and repairs is charged to expense as incurred; significant renewals and improvements are capitalized and a deduction is made from the property accounts for retirements of capitalized renewals or improvements. Gains and losses on dispositions are included in current operations.

Off-Balance Sheet Credit Related Financial Instruments

In the ordinary course of business, the Company has entered into commitments to extend credit, including commitments under credit arrangements, commercial letters of credit, and standby letters of credit. Such financial instruments are recorded when they are funded. The Company maintains a separate allowance for off balance sheet commitments. Management estimates anticipated losses using historical data and utilization assumptions. The allowance for off balance sheet commitments is included in other liabilities.

Impairment of Long-Lived Assets

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or the fair value less costs to sell.

Loan Servicing Rights

Servicing assets are recognized as separate assets when rights are acquired through the sale of financial assets. Servicing rights resulting from the sale or securitization of loans originated by the Company are initially measured at fair value at the date of transfer. The Company subsequently measures each class of servicing asset using the amortization method. Under the amortization method, servicing rights are amortized in proportion to and over the period of estimated net servicing income. The amortized assets are assessed for impairment or increased obligation based on fair value at each reporting date.

Fair value is based on market prices for comparable servicing contracts, when available, or alternatively, is based on a valuation model that calculates the present value of estimated future net servicing income. The valuation model incorporates assumptions that market participants would use in estimating future net servicing income, such as the cost to service, the discount rate, the custodial earnings rate, an inflation rate, ancillary income, prepayment speeds and default rates and losses. These variables change from quarter-to-quarter as market conditions and projected interest rates change, and may have an adverse impact on the value of the servicing right and may result in a reduction to non-interest income.

Servicing assets measured using the amortization method are evaluated and measured for impairment. Impairment is determined by stratifying rights into tranches based on predominant characteristics, such as interest rate, loan type and investor type. Impairment is recognized through a valuation allowance for an individual tranche, to the extent that fair value is less than the carrying amount of the servicing assets for that tranche. The valuation allowance is adjusted to reflect changes in the measurement of impairment after the initial measure of the impairment.

Changes in the valuation allowances are reported with loan servicing fees on the income statement. Fair value in excess of the carrying amount of servicing assets for that stratum is not recognized.

Servicing fee income is recorded for fees earned for servicing loans. The fees are based on a contractual percentage of the outstanding principal; or a fixed amount per loan and are recorded as income when earned. The amortization of loan servicing rights is netted against loan servicing fee income.

Other Real Estate Owned

Assets acquired through, or in lieu of, loan foreclosure are held for sale and are initially recorded at fair value at the date of foreclosure less estimated costs to sell, establishing a new cost basis. Subsequent to foreclosure, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less estimated costs to sell. Revenue and expenses from operations and changes in the valuation allowance are included in other non-interest expense.

Impairment losses on assets to be held and used are measured at the amount by which the carrying amount of a property exceeds its fair value. The evaluation of impairment is inherently subjective and requires estimates that are susceptible to significant revisions as more information becomes available. Due to potential changes in conditions, it is at least reasonably possible that changes in fair values will occur in the near term and that such changes could materially affect the amounts reported in the Company's financial statements. Costs of significant asset improvements are capitalized, whereas costs relating to holding assets are expensed. Revenue and expenses from operations and changes in the valuation allowance are included in other non-interest expense.

Cash Surrender Value of Bank Owned Life Insurance

The Company has purchased life insurance policies on certain key executives. Bank owned life insurance is recorded at its cash surrender value, or the amount that can be realized, if lower.

Income Taxes

The Company accounts for income taxes in accordance with income tax accounting guidance, which sets out a consistent framework to determine the appropriate level of tax reserves to maintain for uncertain tax positions.

The income tax accounting guidance results in two components of income tax expense: current and deferred. Current income tax expense reflects taxes to be paid or refunded for the current period by applying the provisions of the enacted tax law to the taxable income or excess of deductions over revenues. The Company determines deferred income taxes using the liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is determined based on the tax effects of the temporary differences between the book and tax bases of assets and liabilities, and enacted changes in tax rates and laws are recognized in the period in which they occur.

Deferred income tax expense results from changes in deferred tax assets and liabilities between periods. Deferred tax assets are recognized if it is more likely than not, based on the technical merits, that the tax position will be realized or sustained upon examination. The term more likely than not means a likelihood of more than 50%; the terms examined and upon examination also include resolution of the related appeals or litigation processes, if any. A tax position that meets the more-likely-than-not recognition threshold is initially and subsequently measured as the largest amount of tax benefit that has a greater than 50% likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. The determination of whether or not a tax position has met the more-likely-than-not recognition threshold considers the facts, circumstances, and information available at the reporting date and is subject to management's judgment. Deferred tax assets are reduced by a valuation allowance if,

based on the weight of evidence available, it is more likely than not the some portion or all of the deferred tax asset will not be realized.

The Company files income taxes returns in the U.S. federal jurisdiction and in the state of Wisconsin. The Company is no longer subject to U.S. federal or state income tax examinations by tax authorities for years before 2012.

The Company recognizes interest and penalties on income taxes as a component of other non-interest expense.

Comprehensive Income

Recognized revenue, expenses, gains, and losses are included in net income. Certain changes in assets and liabilities, such as unrealized gains and losses on securities available for sale, are reported as a separate component of the equity section of the consolidated balance sheet, such items, along with net income, are components of comprehensive income.

Equity Incentive Plan

Stock compensation accounting guidance requires that the compensation cost relating to share-based payment transactions be recognized in financial statements. That cost will be measured based on the grant date fair value of the equity or liability instruments issued. The stock compensation accounting guidance covers a wide range of share-based compensation arrangements including stock options, restricted share plans, performance-based awards, share appreciation rights, and employee share purchase plans.

The stock compensation accounting guidance requires that compensation cost for all stock awards be calculated and recognized over the employees' service period, generally defined as the vesting period. For awards with graded-vesting, compensation cost is recognized on a straight-line basis over the requisite service period for the entire award. A Black-Scholes model is used to estimate the fair value of stock options, while the market price of the Company's common stock at the date of grant is used for restricted stock awards.

Treasury Stock

Common stock shares repurchased are recorded as treasury stock at cost.

Earnings per Share

Basic earnings per share represent income available to common shareholders divided by the weighted-average number of common shares outstanding during the period. Diluted earnings per share reflect additional potential common shares that would have been outstanding if dilutive potential common shares had been issued, as well as any adjustment to income that would result from the assumed issuance. Potential common shares that may be issued by the Company relate solely to outstanding stock options, and are determined using the treasury stock method.

Treasury shares are not deemed outstanding for earnings per share calculations.

Transfers of Financial Assets

Transfers of financial assets are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Company—put presumptively beyond the reach of the transferor and its creditors, even in bankruptcy or other receivership, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (3) the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity or the ability to unilaterally cause the holder to return specific assets.

The transfer of a participating interest in an entire financial asset must also meet the definition of a participating interest. A participating interest in a financial asset has all of the following characteristics: (1) from the date of transfer, it must represent a proportionate (pro rata) ownership interest in the financial asset, (2) from the date of transfer, all cash flows received, except any cash flows allocated as any compensation for servicing or other services performed, must be divided proportionately among participating interest holders in the amount equal to their share ownership, (3) the rights of each participating interest holder must have the same priority, and (4) no party has the right to pledge or exchange the entire financial asset unless all participating interest holders agree to do so.

Advertising Costs

Advertising costs are expensed as incurred.

Fair Value of Financial Instruments

Fair values of financial instruments are estimated using relevant market information and other assumptions, as more fully disclosed in Note 19. Fair value estimates involve uncertainties and matters of significant judgment. Changes in assumptions or in market conditions could significantly affect the estimates.

Stock Split

On April 1, 2014, the board of directors approved a 10-for-1 stock split of the Company's common stock effective April 4, 2014. The accompanying financial statements give effect to this stock split.

Segments

The Company's operations consist of one segment, community banking.

New Accounting Pronouncements

In January 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-04, Receivables—Troubled Debt Restructuring by Creditors (Subtopic 310-40): Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans Foreclosure. The update clarifies when an in substance foreclosure occurs, that is, when a creditor is considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan. This is the point when the consumer mortgage loan should be derecognized and the real property recognized. This update will be effective for annual periods beginning after December 31, 2014 for public companies and early adoption is permitted. The adoption of this guidance did not have a material impact on the Company's consolidated financial statements.

In May 2014, the FASB issued ASU No. 2014-09 Revenue from Contracts with Customers ("Topic 606") ("ASU 2014-09"). This update is the culmination of efforts by the FASB and the International Accounting Standards Board ("IASB") to develop a common revenue standard for GAAP and International Financial Reporting Standards ("IFRS") and creates a new Topic 606—Revenue from Contracts with Customers. ASU 2014-09 supersedes Topic 605—Revenue Recognition and most industry-specific guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those good or services. The guidance in ASU 2014-09 describes a 5-step process entities can apply to achieve the core principle or revenue recognition and requires disclosures sufficient to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers and the significant judgments used in determining that information. The amendments in ASU 2014-09 are effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period and early application is not allowed. The Company is currently evaluating the effects of ASU 2014-09 on its financial statements and disclosures, if any.

In April 2015, the FASB issued ASU 2015-03, Simplifying the Presentation of Debt Issuance Costs. The update simplifies the presentation of debt issuance costs by requiring that debt issuance costs be presented in the balance sheet as a direct deduction from the carrying amount of debt liability, consistent with debt discounts or premiums. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in this update. For public companies, this update is effective for interim and annual periods beginning after December 15, 2015, and is to be applied retrospectively. Early adoption is permitted. The adoption of this guidance is not expected to have a material impact on the Company's consolidated financial statements.

In November 2015, FASB issued ASU 2015-17, Balance Sheet Classification of Deferred Taxes. This ASU requires entities to present deferred tax assets (DTAs) and deferred tax liabilities (DTLs), along with any related valuation allowance, as noncurrent in a balance sheet. This ASU eliminates current guidance requiring deferred taxes for each jurisdiction to be presented as a net current asset or liability and a net noncurrent asset or liability. As a result, each jurisdiction would have one net noncurrent DTA or DTL balance. The ASU does not change the existing requirement that only permits offsetting DTAs and DTLs within a particular jurisdiction. The amendments in this ASU are effective for fiscal years beginning after December 15, 2016, with early adoption permitted. The adoption of this guidance is not expected to have a significant impact on the Company's consolidated financial statements.

In January 2016, FASB issued ASU 2016-01, Financial Instruments: Recognition and Measurement of Financial Assets and Financial Liabilities, to address certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. This amendment supersedes the guidance to classify equity securities with readily

determinable fair values into different categories, requires equity securities to be measured at fair value with changes in the fair value recognized through net income, and simplifies the impairment assessment of equity investments without readily determinable fair values. The amendment requires public business entities that are required to disclose the fair value of financial instruments measured at amortized cost on the balance sheet to measure that fair value using the exit price notion. The amendment requires an entity to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value in accordance with the fair value option. The amendment requires separate presentation of financial assets and financial liabilities by measurement category and form of financial asset on the balance sheet or in the accompanying notes to the financial statements. The amendment reduces diversity in current practice by clarifying that an entity should evaluate the need for a valuation allowance on a deferred tax asset related to available for sale securities in combination with the entity's other deferred tax assets. This amendment is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Entities should apply the amendment by means of a cumulative-effect adjustment as of the beginning of the fiscal year of adoption, with the exception of the amendment related to equity securities without readily determinable fair values, which should be applied prospectively to equity investments that exist as of the date of adoption. The Company is currently evaluating the effects of this ASU will have on its consolidated financial statements.

In February 2016, the FASB issued Accounting Standards Update (“ASU”) No. 2016-02, Leases: Amendments to the FASB Accounting Standards Codification which requires companies to recognize all leases as assets and liabilities on the consolidated balance sheet. This ASU retains a distinction between finance leases and operating leases, and the classification criteria for distinguishing between finance leases and operating leases are substantially similar to the classification criteria for distinguishing between capital leases and operating leases in the current accounting literature. The result of retaining a distinction between finance leases and operating leases is that under the lessee accounting model, the effect of leases in a consolidated statement of comprehensive income and a consolidated statement of cash flows is largely unchanged from previous GAAP. The amendments in this ASU are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Earlier application is permitted. The Company is currently evaluating the effects of this ASU will have on its financial statements and disclosures, if any.

NOTE 2—ACQUISITION

On November 19, 2015, the Company entered into an Agreement and Plan of Merger (the “Merger Agreement”) by and among the Company, County Acquisition LLC, a wholly-owned subsidiary of the Company, and Fox River Valley Bancorp, Inc., a Wisconsin corporation (“Fox River Valley”), pursuant to which the Company will acquire Fox River Valley and its wholly-owned bank subsidiary, The Business Bank. Under the terms of the Merger Agreement, the Company will acquire 100% of Fox River Valley’s outstanding common stock for aggregate consideration of \$28.9 million.

The purpose of the merger is for strategic reasons beneficial to the Company. The acquisition is consistent with its growth plans to expand into the desirable markets of Appleton and Green Bay, Wisconsin and diversify its loan portfolio to decrease its agricultural concentration. The Company believes it is well-positioned to achieve stronger financial performance and enhance shareholder value through synergies of the combined operations.

Fox River Valley’s shareholders approved the Merger Agreement on March 17, 2016. The merger transaction is appropriately not reflected in the Company’s December 31, 2015 financial statements as it is not expected to close until the second quarter of 2016 and is subject to customary closing and regulatory approvals.

NOTE 3—RESTRICTIONS ON CASH AND CASH EQUIVALENTS

The Bank is required to maintain average balances on hand or with the Federal Reserve Bank. At December 31, 2015 and 2014, these reserve balances amounted to \$7,432,000 and \$6,478,000, respectively.

NOTE 4—SECURITIES AVAILABLE FOR SALE

The amortized cost and fair value of securities available for sale are as follows:

| | Amortized Cost | Unrealized Gains | Unrealized Losses | Fair Value |
|---------------------------------------|-------------------|---------------------|----------------------|---------------|
| December 31, 2015 | | | | |
| U.S. government and agency securities | \$ 2,003 | \$ — | \$ — | \$2,003 |
| Municipal securities | 46,185 | 185 | (58) | 46,312 |
| Mortgage-backed securities | 34,728 | 356 | (118) | 34,966 |
| | \$ 82,916 | \$ 541 | \$ (176) | \$83,281 |
| December 31, 2014 | | | | |
| U.S. government and agency securities | \$ 2,006 | \$ 1 | \$ (2) | \$2,005 |
| Municipal securities | 41,751 | 237 | (139) | 41,849 |
| Mortgage-backed securities | 36,889 | 636 | (97) | 37,428 |
| | \$ 80,646 | \$ 874 | \$ (238) | \$81,282 |

The amortized cost and fair value of securities at December 31, 2015 and 2014, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

| | Amortized Cost | Fair Value |
|----------------------------|-------------------|---------------|
| December 31, 2015 | | |
| Due in one year or less | \$ 5,005 | \$5,017 |
| Due from one to five years | 39,329 | 39,400 |
| Due from five to ten years | 3,854 | 3,898 |
| Due after ten years | — | — |
| Mortgage-backed securities | 34,728 | 34,966 |
| | \$ 82,916 | \$83,281 |
| December 31, 2014 | | |
| Due in one year or less | \$ 2,007 | \$2,011 |
| Due from one to five years | 41,750 | 41,843 |
| Due from five to ten years | — | — |
| Due after ten years | — | — |
| Mortgage-backed securities | 36,889 | 37,428 |
| | \$ 80,646 | \$81,282 |

There were no sales for realized gains or losses for the year ended December 31, 2015 and 2014 of securities available for sale.

At December 31, 2015 and 2014, the carrying amount of securities pledged to secure the FHLB advances was \$0 and \$11,739,000, respectively, in addition to the FHLB stock. At December 31, 2015 and 2014, the carrying amount of securities pledged to secure the Federal Reserve Bank Line of Credit was \$15,764,000 and \$17,837,000, respectively.

Temporarily Impaired Securities

The following table shows the gross unrealized losses and fair value of the Company's investments with unrealized losses that are not deemed to be other-than-temporarily impaired, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at December 31, 2015 and 2014.

Securities available for sale that have been in a continuous unrealized loss position are as follows:

| | Less Than 12 Months | | 12 Months or Greater | | Total | |
|---------------------------------------|------------------------|----------------------|-------------------------|----------------------|---------------|----------------------|
| | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses |
| December 31, 2015 | | | | | | |
| U.S. government and agency securities | \$2,003 | \$ — | \$— | \$ — | \$2,003 | \$ — |
| Municipal securities | 14,153 | (53) | 711 | (5) | 14,864 | (58) |
| Mortgage-backed securities | 11,291 | (86) | 2,039 | (32) | 13,330 | (118) |

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| | | | | | | |
|---------------------------------------|----------|-----------|---------|-----------|----------|-----------|
| | \$27,447 | \$ (139) | \$2,750 | \$ (37) | \$30,197 | \$ (176) |
| December 31, 2014 | | | | | | |
| U.S. government and agency securities | \$997 | \$ (2) | \$— | \$ — | \$997 | \$ (2) |
| Municipal securities | 16,724 | (100) | 3,736 | (39) | 20,460 | (139) |
| Mortgage-backed securities | 6,698 | (33) | 5,651 | (64) | 12,349 | (97) |
| | \$24,419 | \$ (135) | \$9,387 | \$ (103) | \$33,806 | \$ (238) |

The unrealized loss on the investments at December 31, 2015 and 2014 is due to normal fluctuations and pricing inefficiencies. The contractual terms of the investments do not permit the issuers to settle the securities at a price less than the amortized cost basis of the investment. Because the Company does not intend to sell the investments and it is not more-likely-than-not that the Company will be required to sell the investments before recovery of the amortized cost basis, which may be maturity, the Company does not consider these investments to be other-than-temporarily impaired at December 31, 2015 or 2014.

Other-Than-Temporary Impairment

Upon acquisition of a security, the Company decides whether it is within the scope of the accounting guidance for beneficial interests in securitized financial assets or will be evaluated for impairment under the accounting guidance for investments in debt and equity securities.

The accounting guidance for beneficial interests in securitized financial assets provides incremental impairment guidance for a subset of the debt securities within the scope of the guidance for investments in debt and equity securities. For securities where the security is a beneficial interest in securitized financial assets, the Company uses the beneficial interest in securitized financial asset impairment model. For securities where the security is not a beneficial interest in securitized financial assets, the Company uses debt and equity securities impairment model.

The Company routinely conducts periodic reviews to identify and evaluate each investment security to determine whether an other-than-temporary impairment has occurred. Economic models are used to determine whether an other-than-temporary impairment has occurred on these securities. While all securities are considered, the securities primarily impacted by other-than-temporary impairment testing are private-label mortgage-backed securities. For each private-label mortgage-backed security in the investment portfolio (including but not limited to those whose fair value is less than their amortized cost basis) an extensive, regular review is conducted to determine if an other-than-temporary impairment has occurred. Various inputs to the economic models are used to determine if an unrealized loss is other-than-temporary. The most significant inputs are the default rate and the severity of the decline in value. Other inputs may include the actual collateral attributes, which include geographic concentrations, credit ratings, and other performance indicators of the underlying assets.

At December 31, 2015, 43 debt securities had unrealized losses with aggregate depreciation of 0.58% from the Company's amortized cost basis. At December 31, 2014, 51 debt securities had unrealized losses with aggregate depreciation of 0.70% from the Company's amortized cost basis. These unrealized losses related principally to Government National Mortgage Association mortgage-backed and municipal debt securities. In analyzing an issuer's financial condition, management considers whether the securities are issued by the federal government or its agencies, whether downgrades by bond rating agencies have occurred, and industry analysts' reports. As management has the intent and ability to hold debt securities until maturity for the foreseeable future if classified as available for sale, the decline is not deemed to be other-than-temporary.

NOTE 5—LOANS

The components of the loan portfolio were as follows:

| | December 31, | |
|--------------------------------|---------------------------|-----------|
| | 2015 | 2014 |
| | (dollars in thousands) | |
| Agricultural loans | \$499,320 | \$415,164 |
| Commercial real estate loans | 161,741 | 137,517 |
| Commercial loans | 51,978 | 53,745 |
| Residential real estate loans | 34,631 | 40,885 |
| Installment and consumer other | 519 | 811 |

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| | | |
|---------------------------|-----------|-----------|
| Total gross loans | 748,189 | 648,122 |
| Allowance for loan losses | (10,405) | (10,603) |
| Loans, net | \$737,784 | \$637,519 |

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The following table presents the aging of the recorded investment in past due loans at December 31, 2015 and 2014:

| | 30-59 Days | 60-89 Days | 90+ Days | Total Past Due | Loans Not Past Due | Total Loans |
|--------------------------------|---------------|---------------|-------------|----------------------|--------------------------|----------------|
| (dollars in thousands) | | | | | | |
| December 31, 2015 | | | | | | |
| Agricultural loans | \$978 | \$5 | \$2,405 | \$3,388 | \$495,932 | \$499,320 |
| Commercial real estate loans | — | 234 | 2,418 | 2,652 | 159,089 | 161,741 |
| Commercial loans | — | — | 3,476 | 3,476 | 48,502 | 51,978 |
| Residential real estate loans | 5 | — | — | 5 | 34,626 | 34,631 |
| Installment and consumer other | — | — | — | — | 519 | 519 |
| Total | \$983 | \$239 | \$8,299 | \$9,521 | \$738,668 | \$748,189 |
| December 31, 2014 | | | | | | |
| Agricultural loans | \$355 | \$9 | \$238 | \$602 | \$414,562 | \$415,164 |
| Commercial real estate loans | — | — | 2,592 | 2,592 | 134,925 | 137,517 |
| Commercial loans | — | 42 | 3,366 | 3,408 | 50,337 | 53,745 |
| Residential real estate loans | 6 | — | 534 | 540 | 40,345 | 40,885 |
| Installment and consumer other | — | — | — | — | 811 | 811 |
| Total | \$361 | \$51 | \$6,730 | \$7,142 | \$640,980 | \$648,122 |

The following table lists information on nonaccrual, restructured, and certain past due loans:

| | December 31, 2015 2014 (dollars in thousands) | |
|--|--|---------|
| Nonaccrual loans, 90 days or more past due | \$8,299 | \$6,730 |
| Nonaccrual loans 30-89 days past due | 1,212 | 200 |
| Nonaccrual loans, less than 30 days past due | 15,068 | 4,625 |
| Restructured loans not on nonaccrual status | 610 | 846 |
| 90 days or more past due and still accruing | — | — |

The following table presents the recorded investment in nonaccrual and loans past due over 90 days on accrual by class of loan:

December 31,
2015 2014

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| | (dollars in thousands) | |
|--------------------------------|------------------------|----------|
| Agricultural loans | \$17,705 | \$1,293 |
| Commercial real estate loans | 3,162 | 5,163 |
| Commercial loans | 3,712 | 3,409 |
| Residential real estate loans | — | 1,690 |
| Installment and consumer other | — | — |
| Total | \$24,579 | \$11,555 |

All nonaccrual loans are considered to be impaired. Total loans considered impaired and their related reserve balances are as follows:

| | December 31, | |
|--|------------------------|---------|
| | 2015 | 2014 |
| | (dollars in thousands) | |
| Impaired loans without a specific allowance | \$3,760 | \$6,532 |
| Impaired loans with a specific allowance | 26,642 | 18,312 |
| Total impaired loans | 30,402 | 24,844 |
| Specific allowance related to impaired loans | \$2,302 | \$2,894 |

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The average recorded investment in total impaired loans for the years ended December 31, 2015 and 2014 amounted to approximately \$27,623,000 and \$38,565,000, respectively. Interest income recognized on total impaired loans for the years ended December 31, 2015 and 2014 amounted to approximately \$1,664,000 and \$1,326,000, respectively. For nonaccrual loans included in impaired loans, the interest income that would have been recognized had those loans been performing in accordance with their original terms would have been approximately \$1,682,000 and \$778,000 for the years ended December 31, 2015 and 2014, respectively.

The following tables present loans individually evaluated for impairment by class of loans at December 31, 2015 and 2014:

| | December 31, 2015 | | |
|-----------------------------------|--------------------------------|------------------------|--|
| | Unpaid Principal Balance | Recorded Investment | Allowance for Loan Losses Allocated |
| | (dollars in thousands) | | |
| With no related allowance: | | | |
| Agricultural loans | \$918 | \$ 883 | \$ - |
| Commercial real estate loans | 333 | 333 | — |
| Commercial loans | 2,970 | 2,544 | — |
| | \$4,221 | \$ 3,760 | \$ - |
| With an allowance recorded | | | |
| Agricultural loans | \$24,232 | \$ 19,841 | \$ 1,055 |
| Commercial real estate loans | 4,433 | 3,864 | 357 |
| Commercial loans | 3,780 | 2,937 | 890 |
| | 32,445 | 26,642 | 2,302 |
| Total | \$36,666 | \$ 30,402 | \$ 2,302 |
| | December 31, 2014 | | |
| | Unpaid Principal Balance | Recorded Investment | Allowance for Loan Losses Allocated |
| | (dollars in thousands) | | |
| With no related allowance: | | | |
| Agricultural loans | \$1,682 | \$ 1,653 | \$ - |
| Commercial real estate loans | 570 | 342 | - |
| Commercial loans | 4,796 | 4,460 | - |
| Residential real estate loans | 77 | 77 | - |
| | \$7,125 | \$ 6,532 | \$ - |
| With an allowance recorded | | | |
| Agricultural loans | \$11,305 | \$ 9,244 | \$ 242 |
| Commercial real estate loans | 2,709 | 2,699 | 519 |
| Commercial loans | 5,380 | 4,450 | 1,848 |
| Residential real estate loans | 3,866 | 1,919 | 285 |
| | 23,260 | 18,312 | 2,894 |
| Total | \$30,385 | \$ 24,844 | \$ 2,894 |

Changes in the allowance for loan losses are as follows:

| | December 31, 2015 2014 | |
|---|--------------------------------|----------|
| | (dollars in thousands) | |
| Balance, beginning of year | \$10,603 | \$10,495 |
| Provision for (recovery of) loan losses | (1,019) | 589 |
| Loans charged off | (1,907) | (647) |
| Recoveries | 2,728 | 166 |
| Balance, end of period | \$10,405 | \$10,603 |

Changes in the allowance for loan losses by portfolio segment were as follows:

| | December 31, 2015 | | | | |
|--------------------------------|-------------------|-------------|------------|----------|----------|
| | Provision Loans | | | | |
| | for | | | | |
| | Beginning | Charged | Loan | Ending | |
| Loan | Off | Recoveries | Balance | | |
| Balance | Losses | Off | Recoveries | Balance | |
| (dollars in thousands) | | | | | |
| Agricultural loans | \$3,456 | 3,983 | \$(1,145) | \$ 61 | \$6,355 |
| Commercial real estate loans | 3,326 | (1,670) | (162) | 743 | 2,237 |
| Commercial loans | 2,420 | (1,934) | (415) | 1,197 | 1,268 |
| Residential real estate loans | 1,392 | (1,408) | (178) | 727 | 533 |
| Installment and consumer other | 9 | 10 | (7) | — | 12 |
| Total | \$10,603 | \$ (1,019) | \$(1,907) | \$ 2,728 | \$10,405 |

| | December 31, 2014 | | | | |
|--------------------------------|-------------------|------------|------------|---------|----------|
| | Provision Loans | | | | |
| | for | | | | |
| | Beginning | Charged | Loan | Ending | |
| Loan | Off | Recoveries | Balance | | |
| Balance | Losses | Off | Recoveries | Balance | |
| (dollars in thousands) | | | | | |
| Agricultural loans | \$3,144 | \$ 406 | \$(115) | \$ 21 | \$3,456 |
| Commercial real estate loans | 3,254 | 87 | (141) | 126 | 3,326 |
| Commercial loans | 2,172 | 569 | (339) | 18 | 2,420 |
| Residential real estate loans | 1,819 | (376) | (52) | 1 | 1,392 |
| Installment and consumer other | 3 | 6 | — | — | 9 |
| Unallocated | 103 | (103) | — | — | — |
| Total | \$10,495 | \$ 589 | \$(647) | \$ 166 | \$10,603 |

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The following table presents the balances in the allowance for loan losses and the recorded investment in loans by portfolio segment and based on impairment method at:

| | December 31, 2015 | | Total |
|--|-------------------|------------------|-----------|
| | Individual | Collectively | |
| | Evaluated for | Evaluated for | |
| | Impairment | Impairment | |
| Allowance for loan losses: | | | |
| Agricultural loans | \$1,055 | \$ 5,300 | \$6,355 |
| Commercial real estate loans | 357 | 1,880 | 2,237 |
| Commercial loans | 890 | 378 | 1,268 |
| Residential real estate loans | — | 533 | 533 |
| Installment and consumer other | — | 12 | 12 |
| Total ending allowance for loan losses | 2,302 | 8,103 | 10,405 |
| Loans: | | | |
| Agricultural loans | 20,724 | 478,596 | 499,320 |
| Commercial real estate loans | 4,197 | 157,544 | 161,741 |
| Commercial loans | 5,481 | 46,497 | 51,978 |
| Residential real estate loans | — | 34,631 | 34,631 |
| Installment and consumer other | — | 519 | 519 |
| Total loans | 30,402 | 717,787 | 748,189 |
| Net loans | \$28,100 | \$ 709,684 | \$737,784 |

| | December 31, 2014 | | Total |
|--|-------------------|------------------|-----------|
| | Individual | Collectively | |
| | Evaluated for | Evaluated for | |
| | Impairment | Impairment | |
| Allowance for loan losses: | | | |
| Agricultural loans | \$242 | \$ 3,214 | \$3,456 |
| Commercial real estate loans | 519 | 2,807 | 3,326 |
| Commercial loans | 1,848 | 572 | 2,420 |
| Residential real estate loans | 285 | 1,107 | 1,392 |
| Installment and consumer other | — | 9 | 9 |
| Total ending allowance for loan losses | 2,894 | 7,709 | 10,603 |
| Loans: | | | |
| Agricultural loans | 10,897 | 404,267 | 415,164 |
| Commercial real estate loans | 3,041 | 134,476 | 137,517 |
| Commercial loans | 8,910 | 44,835 | 53,745 |
| Residential real estate loans | 1,996 | 38,889 | 40,885 |
| Installment and consumer other | — | 811 | 811 |
| Total loans | 24,844 | 623,278 | 648,122 |
| Net loans | \$21,950 | \$ 615,569 | \$637,519 |

Troubled Debt Restructurings

The Company had allocated \$654,000 and \$538,000 of specific reserves to customers whose loan terms have been modified in troubled debt restructurings at December 31, 2015 and 2014, respectively. The Company had no additional lending commitments at December 31, 2015 and 2014 to customers with outstanding loans that are classified as troubled debt restructurings.

A TDR on nonaccrual status is classified as a nonaccrual loan until evaluation supports reasonable assurance of repayment and of performance according to the modified terms of the loan. Once this assurance is reached, the TDR is classified as a restructured loan. At December 31, 2015, there were \$2,926,000 TDR loans, of which \$2,316,000 were classified as nonaccrual and \$610,000 were classified as restructured and accruing. There were no unfunded commitments on these loans. At December 31, 2014, there were \$4,573,000 TDR loans, of which \$3,727,000 were classified as nonaccrual and \$846,000 were classified as restructured and accruing, and there were no unfunded commitments on these loans.

Credit Quality Indicators

The Company categorizes loans into risk categories based on relevant information about the ability of the borrowers to service their debt, such as current financial information, historical payment experience, credit documentation, public information and current economic trends, among other factors. The Company analyzes agricultural, commercial, and commercial real estate loans individually by classifying the credits as to credit risk. The process of analyzing loans for changes in risk rating is ongoing through routine monitoring of the portfolio and annual internal credit reviews for credits with total exposure in excess of \$300,000. The Company uses the following definitions for credit risk ratings:

Sound. Credits classified as sound show very good probability of ongoing ability to meet and/or exceed obligations.

Acceptable. Credits classified as acceptable show a good probability of ongoing ability to meet and/or exceed obligations.

Satisfactory. Credits classified as satisfactory show an average probability of ongoing ability to meet and/or exceed obligations.

Low Satisfactory. Credits classified as low satisfactory may have more inconsistent earnings, but have a fair probability of ongoing ability to meet and/or exceed obligations.

Watch. Credits classified as watch show some questionable probability of ongoing ability to meet and/or exceed obligations.

Special Mention. Credits classified as special mention show potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loans or of the institution's credit position at some future date.

Substandard. Credits classified as substandard generally have well-defined weaknesses that jeopardize the repayment of the debt. They have a distinct possibility that a loss will be sustained if the deficiencies are not corrected.

Doubtful. Credits classified as doubtful have all the weaknesses inherent in those classified as substandard with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable.

The Company categorizes residential real estate, installment and consumer other loans as satisfactory at the time of origination based on information obtained as to the ability of the borrower(s) to service their debt, such as current financial information, employment status and history, historical payment experience, credit scores and type and amount of collateral among other factors. The Company updates relevant information on these types of loans at the time of refinance, troubled debt restructuring or other indications of financial difficulty, downgrading as needed using the same category descriptions as for agricultural, commercial, and commercial real estate loans. In addition, the Company further considers current payment status as an indicator of which risk category to assign the borrower.

The greater the level of deteriorated risk as indicated by a loan's assigned risk category, the greater the likelihood a loss will occur in the future. If the loan is impaired then the loan loss reserves for the loan is recorded at the loss level of impairment. If the loan is not impaired, then its loan loss reserves are determined by the application of a loss rate that increases with risk in accordance with the allowance for loan loss analysis.

Based on the most recent analysis performed by management, the risk category of loans by class of loans is as follows:

| As of December 31, 2015 | | | | | |
|--------------------------------|------------------|----------|-------------|-------------|-----------|
| | Sound/ | | Acceptable/ | | |
| | Satisfactory/ | Special | Total | | |
| | Low Satisfactory | Watch | Mention | Substandard | Loans |
| Agricultural loans | \$441,528 | \$30,762 | \$6,306 | \$ 20,724 | \$499,320 |
| Commercial real estate loans | 139,061 | 13,956 | 4,527 | 4,197 | 161,741 |
| Commercial loans | 40,496 | 5,468 | 533 | 5,481 | 51,978 |
| Residential real estate loans | 27,514 | 4,572 | 2,545 | — | 34,631 |
| Installment and consumer other | 518 | 1 | — | — | 519 |
| Total | \$649,117 | \$54,759 | \$13,911 | \$ 30,402 | \$748,189 |

| As of December 31, 2014 | | | | | |
|--------------------------------|------------------|----------|-------------|-------------|-----------|
| | Sound/ | | Acceptable/ | | |
| | Satisfactory/ | Special | Total | | |
| | Low Satisfactory | Watch | Mention | Substandard | Loans |
| Agricultural loans | \$342,598 | \$59,078 | \$2,591 | \$ 10,897 | \$415,164 |
| Commercial real estate loans | 104,609 | 23,540 | 6,327 | 3,041 | 137,517 |
| Commercial loans | 36,205 | 7,568 | 1,062 | 8,910 | 53,745 |
| Residential real estate loans | 29,738 | 6,288 | 2,863 | 1,996 | 40,885 |
| Installment and consumer other | 811 | — | — | — | 811 |
| Total | \$513,961 | \$96,474 | \$12,843 | \$ 24,844 | \$648,122 |

NOTE 6—PREMISES AND EQUIPMENT

Premises and equipment consisted of the following:

| | December 31, | | Estimated |
|------------------------------------|------------------------|-------|-------------|
| | 2015 | 2014 | Useful Life |
| | (dollars in thousands) | | |
| Land | \$896 | \$896 | N/A |
| Construction in process | 2,944 | — | N/A |
| Bank premises | 3,748 | 3,718 | 35-40 years |
| Furniture, fixtures, and equipment | 3,194 | 3,282 | 3-7 years |
| | 10,782 | 7,896 | |

| | | |
|---|---------|---------|
| Accumulated depreciation and amortization | (3,617) | (3,300) |
| | \$7,165 | \$4,596 |

Depreciation and amortization expense charged to operations for the years ended December 31, 2015 and 2014 totaled \$592,000 and \$611,000, respectively.

NOTE 7—LOAN SERVICING RIGHTS

Loans serviced for others are not included in the accompanying consolidated balance sheets. The risks inherent in servicing assets relate primarily to changes in prepayments that result from shifts in interest rates. The unpaid principal balances of mortgage and other loans serviced for others were approximately \$495,933,000 and \$429,293,000 at December 31, 2015 and 2014, respectively.

The fair values of these rights were approximately \$10,705,000 and \$10,043,000, respectively. The fair value of servicing rights was determined using an assumed discount rate of 10% and prepayment speeds primarily ranging from 4% to 9%, depending upon the stratification of the specific right, and nominal anticipated credit losses.

The following summarizes servicing rights capitalized and amortized, along with the aggregate activity in related valuation allowances:

| | December 31, | |
|------------------------------|------------------------|---------|
| | 2015 | 2014 |
| | (dollars in thousands) | |
| Loan servicing rights: | | |
| Balance, beginning of period | \$7,746 | \$7,529 |
| Additions | 3,731 | 3,414 |
| Disposals | (1,421) | (1,243) |
| Amortization | (1,911) | (1,954) |
| Balance, end of period | \$8,145 | \$7,746 |

NOTE 8—OTHER REAL ESTATE OWNED

Changes in other real estate owned are as follows:

| | December 31, | |
|--|------------------------|----------|
| | 2015 | 2014 |
| | (dollars in thousands) | |
| Balance, beginning of period | \$7,137 | \$16,083 |
| Assets foreclosed | 1,530 | 1,321 |
| Write-down of other real estate owned | (256) | (1,190) |
| Net loss on sales of other real estate owned | (254) | (278) |
| Capitalized additions to other real estate owned | 39 | 438 |
| Proceeds from sale of other real estate owned | (5,324) | (9,237) |
| Balance, end of period | \$2,872 | \$7,137 |

Expenses applicable to other real estate owned include the following:

| | December 31, | |
|--|------------------------|---------|
| | 2015 | 2014 |
| | (dollars in thousands) | |
| Net loss on sales of other real estate owned | \$254 | \$278 |
| Write-down of other real estate owned | 256 | 1,190 |
| Operating expenses, net of rental income | (36) | 130 |
| | \$474 | \$1,598 |

NOTE 9—DEPOSITS

Deposits are summarized as follows:

| | December 31, | |
|-------------------------|------------------------|-----------|
| | 2015 | 2014 |
| | (dollars in thousands) | |
| Demand deposits | \$70,914 | \$81,534 |
| Savings | 174,979 | 140,296 |
| Certificates of deposit | 426,333 | 383,639 |
| Total deposits | \$672,226 | \$605,469 |

Certificates of deposit in amounts of more than \$250,000 at December 31, 2015 and 2014 were approximately \$161,251,000 and \$134,931,000, respectively.

The scheduled maturities of certificates of deposit are as follows:

| | December 31, | |
|----------------|------------------------|------------|
| | 2015 | 2014 |
| | (dollars in thousands) | |
| 1 year or less | \$ 160,557 | \$ 173,074 |
| 1 to 2 years | 117,514 | 75,212 |
| 2 to 3 years | 41,876 | 92,197 |
| 3 to 4 years | 38,281 | 22,811 |
| Over 4 years | 68,105 | 20,345 |
| | \$426,333 | \$ 383,639 |

NOTE 10—ADVANCES FROM FHLB AND OTHER BORROWINGS

The Bank had advances outstanding from the FHLB in the amount of \$66,445,000 and \$28,000,000 on December 31, 2015 and 2014, respectively. These advances, rates, and maturities are as follows:

| Loan Type | Maturity | Rate | Amount outstanding as of | |
|------------------------|------------|-------|--------------------------|----------|
| | | | December 31, 2015 | 2014 |
| | | | (dollars in thousands) | |
| Fixed rate, fixed term | 07/16/2015 | 3.59% | \$— | \$ 2,000 |
| Fixed rate, fixed term | 08/25/2015 | 1.79% | — | 1,000 |
| Fixed rate, fixed term | 08/25/2015 | 1.89% | — | 2,000 |
| Fixed rate, fixed term | 11/09/2015 | 0.44% | — | 1,750 |
| Fixed rate, short term | 01/27/2016 | 0.29% | 3,000 | — |
| Fixed rate, fixed term | 04/29/2016 | 0.54% | 3,000 | — |
| Fixed rate, fixed term | 06/28/2016 | 0.96% | 2,150 | 2,150 |
| Fixed rate, fixed term | 08/29/2016 | 0.55% | 840 | — |
| Fixed rate, fixed term | 08/29/2016 | 0.55% | 560 | — |
| Fixed rate, fixed term | 01/03/2017 | 0.94% | 595 | — |
| Fixed rate, fixed term | 02/27/2017 | 0.76% | 5,000 | — |
| Fixed rate, fixed term | 03/15/2017 | 1.46% | 2,000 | 2,000 |
| Fixed rate, fixed term | 11/15/2017 | 0.95% | 3,800 | 3,800 |
| Fixed rate, fixed term | 12/29/2017 | 1.27% | 3,000 | — |
| Fixed rate, fixed term | 01/02/2018 | 1.23% | 1,000 | — |
| Fixed rate, fixed term | 04/23/2018 | 1.07% | 2,300 | 2,300 |
| Fixed rate, fixed term | 07/16/2018 | 1.21% | 762 | — |
| Fixed rate, fixed term | 07/16/2018 | 1.21% | 1,038 | — |
| Fixed rate, fixed term | 08/20/2018 | 1.15% | 1,000 | — |

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| | | | | |
|------------------------|------------|-------|----------|----------|
| Fixed rate, fixed term | 08/20/2018 | 1.15% | 800 | — |
| Fixed rate, fixed term | 08/20/2018 | 1.27% | 2,200 | — |
| Fixed rate, fixed term | 12/31/2018 | 1.65% | 3,000 | — |
| Fixed rate, fixed term | 02/27/2019 | 1.47% | 5,000 | — |
| Fixed rate, fixed term | 08/14/2019 | 1.77% | 2,000 | 2,000 |
| Fixed rate, fixed term | 02/20/2020 | 1.71% | 5,000 | — |
| Fixed rate, fixed term | 07/16/2020 | 1.85% | 800 | — |
| Fixed rate, fixed term | 08/25/2020 | 1.84% | 3,000 | — |
| Fixed rate, fixed term | 08/27/2020 | 1.88% | 5,000 | — |
| Fixed rate, fixed term | 12/30/2020 | 2.09% | 4,000 | 4,000 |
| Fixed rate, fixed term | 12/31/2020 | 1.94% | 600 | — |
| Fixed rate, fixed term | 08/16/2021 | 2.29% | 3,000 | 3,000 |
| Fixed rate, fixed term | 12/30/2021 | 2.29% | 2,000 | 2,000 |
| | | | \$66,445 | \$28,000 |

The terms of security agreements with the FHLB require the Bank to pledge collateral for its borrowings. The collateral consists of qualifying first mortgage loans, certain securities available for sale, and all stock in the FHLB.

The Bank had no irrevocable letters of credit with the FHLB as of December 31, 2015 and 2014.

Future maturities of borrowings are as follows:

| | December 31, | |
|----------------|------------------------|----------|
| | 2015 | 2014 |
| | (dollars in thousands) | |
| 1 year or less | \$9,550 | \$6,750 |
| 1 to 2 years | 14,395 | 2,150 |
| 2 to 3 years | 12,100 | 5,800 |
| 3 to 4 years | 7,000 | 2,300 |
| Over 4 years | 23,400 | 11,000 |
| | \$66,445 | \$28,000 |

As of December 31, 2015 and 2014, the Bank also had a \$50,000,000 line-of-credit available with the Federal Reserve Bank of Chicago. Borrowings under this line of credit are limited by the amount of securities pledged by the Bank as collateral, which totaled \$15,764,000 and \$17,837,000 at December 31, 2015 and 2014, respectively. The outstanding advances included in other borrowings totaled \$0 and \$15,000,000 at December 31, 2015 and 2014, respectively. The Federal Discount Window interest rate was 0.75% for outstanding advances at December 31, 2014.

Also included in other borrowings are borrowings as a result of sold loans that do not qualify for sale accounting. These agreements are recorded as financing transactions as the Bank maintains effective control over the transferred loans. The dollar amount of the loans underlying the sale agreements continues to be carried in the Bank's loan portfolio, and the transfer is reported as a secured borrowing with pledge of collateral. At December 31, 2015 and 2014, the amounts of these borrowings were \$3,945,000 and \$8,857,000, respectively.

The following table sets forth information concerning balances and interest rates on other borrowings as of and for the periods indicated:

| | December 31, 2015 | |
|--|------------------------|----------|
| | 2015 | 2014 |
| | (dollars in thousands) | |
| Balance outstanding at end of period | \$3,945 | \$23,857 |
| Average amount outstanding during the period | 8,088 | 12,279 |
| Maximum amount outstanding at any month end | 24,414 | 23,857 |
| Weighted average interest rate during the period | 3.41 % | 4.73 % |
| Weighted average interest rate at end of period | 4.97 % | 2.33 % |

NOTE 11—SUBORDINATED DEBENTURES AND SBLF PREFERRED STOCK

In September 2005 and June 2006, the Company formed wholly owned subsidiary business trusts, County Bancorp Statutory Trust II ("Trust II") and County Bancorp Statutory Trust III ("Trust III") (together, the "Trusts"), which are both Delaware statutory trusts, for the purpose of issuing capital securities which qualify as Tier 1 capital of the Company.

Trust II issued at par \$6.0 million of floating rate capital securities in an exempt offering. The capital securities are nonvoting, mandatorily redeemable in 2035, and guaranteed by the Company. Trust III issued at par \$6.0 million of floating rate capital securities in an exempt offering. The capital securities are nonvoting, mandatorily redeemable in 2036, and guaranteed by the Company.

The capital securities carry an interest rate identical to that of the related debentures. For Trust II, holders of capital securities are entitled to receive cumulative cash distributions, at a rate of 6.1% through September 2015, and a rate based on the three month LIBOR plus 1.53% thereafter through maturity, which was 2.04% as of December 31, 2015. For Trust III, holders of capital securities are entitled to receive cumulative cash distributions, at a rate based on the three month LIBOR plus 1.69% through maturity, which was 2.20% as of December 31, 2015.

The distribution rate payable on the capital securities is cumulative and payable quarterly in arrears. The Company has the right, subject to events in default, to defer payments of interest on the debentures at any time by extending the interest payment period for a period not exceeding 20 consecutive quarters with respect to each deferral period, provided that no extension period may extend beyond the redemption or maturity dates of the debentures. The capital securities are subject to mandatory redemption upon payment of the debentures. Trust II and III mature on September 15, 2035 and June 15, 2036, respectively, may be called not earlier than September 15, 2015 and June 15, 2016, respectively, if certain conditions are met, or at any time within 180 days following the occurrence and continuation of certain changes in either tax treatment or the capital treatment of Trust II and Trust III, the debentures,

or the capital securities. If the debentures are redeemed before they mature, the redemption price will be the principal amount plus any accrued but unpaid interest. The Company has the right to terminate Trust II and Trust III and cause the debentures to be distributed to the holders of the capital securities in liquidation of such Trusts.

The Company owns all of the outstanding common securities of Trust II and Trust III. The Trusts used the proceeds from the issuance of their capital securities to buy floating rate junior subordinated deferrable interest debentures (“debentures”) issued by the Company. These debentures are the Trusts’ only assets, and interest payments from these debentures finance the distributions paid on the capital securities. These debentures are unsecured, rank junior, and are subordinate in the right of payment to all senior debt of the Company.

The capital securities of Trust II and Trust III have been structured to qualify as Tier 1 capital for regulatory purposes. However, the securities cannot be used to constitute more than 25 percent of the Company’s “core” Tier 1 capital according to regulatory requirements. The Company utilized the proceeds of the Trust II issuances for general corporate purposes and Trust III issuances to redeem the securities of County Bancorp Statutory Trust I.

The Small Business Lending Fund (SBLF) preferred stock of the Company qualified as Tier 1 capital and accrued noncumulative dividends, payable quarterly, on each January 1, April 1, July 1 and October 1. The dividend rate, as a percentage of the liquidation amount, fluctuated on a quarterly basis during the first 10 quarters during which the preferred stock was outstanding, based upon changes in the level of “Qualified Small Business Lending”, by the Company’s subsidiary bank. The dividend rate was based upon the percentage change in QSBL between each dividend period and the baseline QSBL level, as determined in accordance with the Purchase Agreement.

Beginning with the fourth quarter of 2013, the dividend rate was fixed at an annualized 1.00% through the fourth quarter of 2015. Such dividends were not cumulative, but the Company could only declare and pay dividends on its common stock (or any other equity securities junior to the SBLF Preferred Stock) if it had declared and paid dividends for the current dividend period on the SBLF Preferred Stock, and would be subject to other restrictions on its ability to repurchase or redeem other securities.

The Company could redeem the shares of SBLF Preferred Stock, in whole or in part, at any time at a redemption price equal to the sum of the liquidation amount per share (\$1,000 per share) and the per-share amount of any unpaid dividends for the then-current period, subject to any required prior approval by the Company’s primary federal banking regulator. The terms of the SBLF Preferred Stock imposed limits on the ability of the Company to pay dividends and repurchase shares of common stock. Under the terms of the SBLF Preferred Stock, no repurchases could be effected, and no dividends could be declared or paid on preferred shares ranking pari passu with the SBLF Preferred Stock, junior preferred shares, or other junior securities (including the common stock) during the current quarter and for the next three quarters following the failure to declare and pay dividends on the SBLF Preferred Stock, except that, in any such quarter in which the dividend was paid, dividend payments on shares ranking pari passu could be paid to the extent necessary to avoid any resulting material covenant breach. The Company redeemed the SBLF Preferred Stock on February 23, 2016.

NOTE 12—INCOME TAXES

Allocation of income tax expense between current and deferred portions consists of the following:

December 31,

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| | 2015 | 2014 |
|-----------------------------|------------------------|---------|
| | (dollars in thousands) | |
| Current | | |
| Federal income tax | \$4,948 | \$3,122 |
| State income tax | 1,191 | 831 |
| Total current | 6,139 | 3,953 |
| Deferred income tax expense | 380 | 731 |
| | \$6,519 | \$4,684 |

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The reasons for the difference between income tax expense and the amount computed by applying the statutory tax rates to income before taxes are as follows:

| | December 31, | | | |
|---|------------------------|---|---------|---|
| | 2015 | | 2014 | |
| | (dollars in thousands) | | | |
| Statutory federal tax rate | 34 | % | 34 | % |
| Income tax at statutory federal rate | \$5,929 | | \$4,384 | |
| Increase (reduction) resulting from: | | | | |
| State income taxes, net of federal income tax benefit | 900 | | 662 | |
| Tax exempt interest | (160) |) | (174) |) |
| Increase in cash surrender value | (100) |) | (97) |) |
| Other | (50) |) | (91) |) |
| Income tax expense | \$6,519 | | \$4,684 | |
| Effective tax rate | 36 | % | 37 | % |

The components of the net deferred tax asset are as follows:

| | December 31, | |
|--|------------------------|---------|
| | 2015 | 2014 |
| | (dollars in thousands) | |
| Deferred tax assets: | | |
| Management salary continuation accrued | \$792 | \$724 |
| Allowance for loan losses | 4,094 | 4,172 |
| Deferred compensation | 413 | 302 |
| Interest on nonaccrual loans | 242 | 104 |
| Other real estate owned | 350 | 711 |
| Other | 343 | 285 |
| Total deferred tax assets | \$6,234 | \$6,298 |
| Deferred tax liabilities | | |
| Loan servicing rights | 3,205 | 3,048 |
| Deferred loan costs | 160 | - |
| Depreciation and amortization | 252 | 446 |
| FHLB stock dividend | 106 | 106 |
| Available for sale investment securities | 143 | 250 |
| Other | 320 | 127 |
| Total deferred tax liabilities | \$4,186 | \$3,977 |
| Net deferred tax assets | \$2,048 | \$2,321 |

NOTE 13—OFF-BALANCE SHEET ACTIVITIES

Credit-Related Financial Instruments

The Bank is a party to credit related financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and standby letters of credit. Such commitments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the consolidated balance sheets.

The Bank's exposure to credit loss is represented by the contractual amount of these commitments. The Bank follows the same credit policies in making commitments as it does for on-balance sheet instruments.

Financial instruments, whose contract amount represents credit risk as of December 31, 2015 and 2014, were as follows:

| | December 31, | |
|---|------------------------|------------|
| | 2015 | 2014 |
| | (dollars in thousands) | |
| Commitments to extend credit and unused lines of credit, including unused credit card lines | \$ 179,775 | \$ 192,968 |
| Standby letters of credit | 5,399 | 560 |

Commitments to extend credit are agreements to lend funds to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The amount of collateral obtained, if deemed necessary by the Bank, is based on management's credit evaluation of the customer.

Unfunded commitments under commercial lines of credit, revolving credit lines and overdraft protection agreements are commitments for possible future extensions of credit to existing customers. These lines of credit are usually collateralized and contain a specified maturity date and may not be drawn upon to the total extent to which the Bank is committed.

Standby letters of credit are conditional commitments issued by the Bank to guarantee the payment or the performance of a Bank customer to a third party. Both standby and performance letters of credit are generally issued for terms of one to four years. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The Bank generally holds collateral supporting these commitments.

NOTE 14—DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

Derivative Loan Commitments

Loan commitments are referred to as derivative loan commitments if the loan that will result from exercise of the commitment will be held for sale upon funding. The Company enters into commitments to fund loans at specified times in the future, with the intention that these loans will subsequently be sold in the secondary market. A loan commitment binds the Company to lend funds to a potential borrower at a specified interest rate and within a specified period of time, generally up to 60 days after inception of the rate lock.

Outstanding derivative loan commitments expose the Company to the risk that the price of the loans arising from exercise of the loan commitment might decline from inception of the rate lock to funding of the loan due to increases in interest rates. If interest rates increase, the value of these loan commitments decreases. Conversely, if interest rates decrease, the value of these loan commitments increases. The notional amount of interest rate lock commitments was \$0 at both December 31, 2015 and 2014.

Collateral Requirements

To reduce credit risk related to the use of derivatives financial instruments, the Company might deem it necessary to obtain collateral. The amount and nature of the collateral obtained is based on the Company's credit evaluation of the customer. Collateral held varies, but may include cash, securities, accounts receivable, inventory, property, plant and equipment and real estate. If the counterparty does not have the right and ability to redeem the collateral or the Company is permitted to sell or re-pledge the collateral on short notice, the Company records the collateral in its balance sheet at fair value with a corresponding obligation to return it.

NOTE 15—EMPLOYEE BENEFIT PLANS

The Company has a 401(k) plan covering substantially all employees. The Company's contributions are based upon the discretion of the board of directors. Total expense for the years ended December 31, 2015 and 2014 was \$405,000 and \$425,000, respectively.

On May 1, 2006, the Company entered into salary continuation agreements with five key employees. Under these agreements, the key employees will receive \$60,000 per year beginning on their retirement age, defined as age 65, and continuing for 15 years.

During 2011, the Company entered into salary continuation agreements with two additional key employees. Under these agreements, the key employees will receive amounts ranging between \$36,000 and \$60,000 annually, depending on their age at retirement, commencing upon retirement and continuing for 15 years.

As of December 31, 2015 and 2014, respectively, the Company had accrued \$2,011,000 and \$1,840,000 in conjunction with these salary continuation agreements. The payouts under these agreements for the years ending December 31, 2015 and 2014 were \$45,000 and \$26,250, respectively.

NOTE 16—EQUITY INCENTIVE PLAN

Under the Company's 2012 Equity Incentive Compensation Plan (the "Plan"), the Company may grant options and issue restricted stock to its directors, officers and employees for shares of common stock. Both qualified and non-qualified stock options and restricted stock may be granted and issued, respectively, under the Plan.

The exercise price of each option equals the market price of the Company's stock on the date of grant and an option's maximum term is ten years. Vesting periods range from one to five years from the date of grant. The restricted stock has a cliff vesting period of five years from the date of issuance.

On March 17, 2015, the Company granted 14,379 shares in restricted stock awards to certain members of management at an exercise price of \$19.71 per share. The shares were awarded at no cost to the employee and have a cliff-vesting period of five years from date of issue. Compensation cost to be recognized over the five-year period, net of income tax, is \$227,000. As of December 31, 2015, none of the awards were vested, and 418 shares were forfeited. Unrecognized compensation expense, at December 31, 2015, net of income tax, is \$185,000.

The fair value of each option grant was estimated on the grant date using the Black-Scholes option-pricing model with the following assumptions:

| | December 31, | |
|---|--------------|------------|
| | 2015 | 2014 |
| Risk-free interest rates | 1.69-1.93% | 3.38-2.17% |
| Dividend yields | 0.8 % | - |
| Expected volatility | 24.00% | 35.00 % |
| | 7.00 | |
| Weighted-average expected life of options | years | 7.00 years |

The expected volatility is based on historical volatility. The risk free rates for periods within the contractual life of the awards are based on the U.S. Treasury yield curve in effect at the time of the grant. The expected life is based on historical exercise experience. The dividend yield assumption is based on the Company's history of declaring dividends on its common stock.

The status of the Company's stock option plan and changes in that plan for the years ended December 31, 2015 and 2014 are as follows:

| | December 31, 2015 | | | December 31, 2014 | | |
|---|---|------------------|----------------------|-------------------|------------------|----------------------|
| | Number | Weighted-Average | Aggregate | Number | Weighted-Average | Aggregate |
| | of | Exercise | Intrinsic | of | Exercise | Intrinsic |
| | Options | Price | Value ⁽¹⁾ | Options | Price | Value ⁽¹⁾ |
| | (dollars in thousands except option and per share data) | | | | | |
| Outstanding, beginning of year | 336,051 | \$ 11.57 | | 405,100 | \$ 11.02 | |
| Granted | 82,101 | 19.29 | | 26,631 | 14.46 | |
| Exercised | (58,920) | 9.22 | | (84,790) | 9.58 | |
| Forfeited/expired | (7,301) | 13.98 | | (10,890) | 13.79 | |
| Outstanding, end of period | 351,931 | \$ 13.71 | \$2,037,680 | 336,051 | \$ 11.57 | \$561,617 |
| Options exercisable at period-end | 232,900 | \$ 11.82 | \$1,788,672 | 206,600 | \$ 10.79 | \$505,352 |
| Weighted-average fair value of options granted during the period ⁽²⁾ | | \$ 5.06 | | | \$ 3.52 | |

(1) The aggregate intrinsic value of a stock option in the table above represents the total pre-tax intrinsic value (the amount by which the current market value of the underlying stock exceeds the exercise price of the option) that

would have been received by the option holders had all option holders exercised their options on December 31, 2015 and 2014. This amount changes based on changes in the market value of the Company's stock.

(2) The fair value (present value of the estimated future benefit to the option holder) of each option grant is estimated on the date of grant using the Black-Scholes option pricing model.

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Information pertaining to options outstanding at December 31, 2015 and 2014 was as follows:

| December 31, 2015 | | | | | | |
|----------------------------------|-------------|-------------|----------|---------------------|----------|--|
| Options Outstanding | | | | Options Exercisable | | |
| Weighted | | | | | | |
| | | Average | Weighted | Weighted | | |
| Range of | Remaining | | Average | Average | | |
| Exercise | Number | Contractual | Exercise | Number | Exercise | |
| Prices | Outstanding | Life | Price | Exercisable | Price | |
| \$ 10.08 | 39,830 | 1.00 Year | \$ 10.08 | 39,830 | \$ 10.08 | |
| 11.63-12.45 | 166,730 | 3.44 Years | 11.91 | 156,730 | 11.87 | |
| 13.02-15.19 | 64,941 | 7.87 Years | 13.68 | 36,340 | 13.48 | |
| 17.15-19.74 | 80,430 | 9.24 Years | 19.28 | — | — | |
| Outstanding, end of period | 351,931 | 5.31 Years | \$ 13.71 | 232,900 | \$ 11.82 | |

| December 31, 2014 | | | | | | |
|----------------------------------|-------------|-------------|----------|---------------------|----------|--|
| Options Outstanding | | | | Options Exercisable | | |
| Weighted | | | | | | |
| | | Average | Weighted | Weighted | | |
| Range of | Remaining | | Average | Average | | |
| Exercise | Number | Contractual | Exercise | Number | Exercise | |
| Prices | Outstanding | Life | Price | Exercisable | Price | |
| \$6.90-10.08 | 87,490 | 1.51 Years | \$ 9.24 | 87,490 | \$ 9.24 | |
| 11.63-12.45 | 181,730 | 4.58 Years | 11.92 | 106,930 | 11.81 | |
| 13.02-15.19 | 66,831 | 8.90 Years | 13.67 | 12,180 | 13.02 | |
| Outstanding, end of period | 336,051 | 4.64 Years | \$ 11.57 | 206,600 | \$ 10.79 | |

Weighted
Average

Number of
Grant
Date Fair

Shares Value

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| | | |
|--------------------------------------|-----------|---------|
| Nonvested options, December 31, 2014 | 129,451 | \$ 2.37 |
| Granted | 82,101 | 5.06 |
| Vested | (74,590) | 2.26 |
| Forfeited/exercised | (17,931) | 2.15 |
| Nonvested options, December 31, 2015 | 119,031 | \$ 4.33 |

Activity in restricted stock awards during 2015 and 2014 was as follows:

| | December 31, 2015 Weighted | |
|--------------------------------|-------------------------------|----------|
| | RestrictedAverage Grant | |
| | Stock Awards | Price |
| Outstanding, beginning of year | 34,080 | \$ 12.88 |
| Granted | 14,379 | 19.71 |
| Vested | — | — |
| Forfeited/expired | (1,838) | 14.54 |
| Outstanding, end of period | 46,621 | \$ 14.92 |

| | December 31, 2014 Weighted | |
|--------------------------------|-------------------------------|----------|
| | RestrictedAverage Grant | |
| | Stock Awards | Price |
| Outstanding, beginning of year | 38,290 | \$ 12.48 |
| Granted | 4,970 | 14.28 |
| Vested | (9,180) | 12.00 |
| Forfeited/expired | — | — |
| Outstanding, end of period | 34,080 | \$ 12.88 |

For the years ended December 31, 2015 and 2014, share-based compensation expense, including options and restricted stock awards, applicable to the Plan was \$450,000 and \$193,000, respectively, and the recognized tax benefit related to this expense was \$90,000 and \$39,000, respectively.

As of December 31, 2015, unrecognized share-based compensation expense related to nonvested options amounted to \$253,000 and is expected to be recognized over a weighted average period of 2.13 years.

NOTE 17—REGULATORY MATTERS

The Company (on a consolidated basis) and Bank are each subject to various regulatory capital requirements administered by the federal and state banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Company's and Bank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company and Bank must meet specific capital guidelines that involve quantitative measures of their assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors. Prompt corrective action provisions are not applicable to bank holding companies.

Quantitative measures established by regulation to ensure capital adequacy require the Company and Bank to maintain minimum amounts and ratios (set forth in the following table) of Total and Tier 1 capital (as defined in the regulations) to risk-weighted assets (as defined), of Tier 1 capital (as defined) to average assets (as defined), and of Tier 1 Common Equity (as defined) to risk-weighted assets. Management believes, as of December 31, 2015 and 2014, that the Company and Bank meet all capital adequacy requirements to which they are subject.

As of December 31, 2015, the most recent notification from the banking regulators categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized the Bank must maintain minimum total risk-based, Tier 1 risk-based, Tier 1 leverage and Common Equity Tier 1 ratios as set forth in the following tables. There are no conditions or events since the notification that management believes have changed the Bank's category.

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The Company's and Bank's actual capital amounts and ratios are presented in the following table:

| | Actual | | Minimum For | | Minimum To Be Well | | | |
|---|------------------------|---------|------------------|-----------|--------------------|-------------------|--------------------|-------|
| | Amount | Ratio | Capital Adequacy | Purposes: | Capitalized Under | Prompt Corrective | Action Provisions: | |
| | (dollars in thousands) | | Amount | Ratio | Amount | Ratio | Amount | Ratio |
| December 31, 2015 | | | | | | | | |
| Total Capital (to risk weighted assets): | | | | | | | | |
| Consolidated | \$144,495 | 17.51 % | \$66,013 | 8.00 % | Not applicable | | | |
| Bank | 125,354 | 15.19 % | 66,000 | 8.00 % | \$82,500 | 10.00 % | | |
| Tier 1 Capital (to risk weighted assets): | | | | | | | | |
| Consolidated | 134,175 | 16.26 % | 49,510 | 6.00 % | Not applicable | | | |
| Bank | 115,036 | 13.94 % | 49,500 | 6.00 % | 66,000 | 8.00 % | | |
| Tier 1 Capital (to average assets): | | | | | | | | |
| Consolidated | 134,175 | 15.49 % | 34,656 | 4.00 % | Not applicable | | | |
| Bank | 115,036 | 13.29 % | 34,635 | 4.00 % | 43,294 | 5.00 % | | |
| Tier 1 Common Equity (to risk weighted assets): | | | | | | | | |
| Consolidated | 98,803 | 11.97 % | 37,132 | 4.50 % | Not applicable | | | |
| Bank | 115,036 | 13.94 % | 37,125 | 4.50 % | 53,625 | 6.50 % | | |
| December 31, 2014 | | | | | | | | |
| Total Capital (to risk weighted assets): | | | | | | | | |
| Consolidated | \$115,471 | 17.16 % | \$53,819 | 8.00 % | Not applicable | | | |
| Bank | 112,725 | 16.77 % | 53,778 | 8.00 % | \$67,223 | 10.00 % | | |
| Tier 1 Capital (to risk weighted assets): | | | | | | | | |
| Consolidated | 107,029 | 15.91 % | 26,909 | 4.00 % | Not applicable | | | |
| Bank | 104,289 | 15.51 % | 26,889 | 4.00 % | 40,334 | 6.00 % | | |
| Tier 1 Capital (to average assets): | | | | | | | | |
| Consolidated | 107,029 | 14.32 % | 29,901 | 4.00 % | Not applicable | | | |
| Bank | 104,289 | 13.96 % | 29,880 | 4.00 % | 37,351 | 5.00 % | | |

NOTE 18—RELATED PARTY TRANSACTIONS

In the ordinary course of business, the Bank has granted loans to principal officers and directors and their affiliates.

Activity consisted of the following:

| | December 31, | |
|------------------------------|------------------------|---------|
| | 2015 | 2014 |
| | (dollars in thousands) | |
| Balance, beginning of period | \$1,156 | \$1,481 |
| New loans | 560 | 254 |
| Repayments | (227) | (579) |
| Balance, end of period | \$1,489 | \$1,156 |

Deposits from related parties held by the Bank at December 31, 2015 and 2014 amounted to \$14,415,000 and \$14,798,000, respectively.

NOTE 19—FAIR VALUE MEASUREMENTS

Determination of Fair Value

The Company uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. However, in many instances, there are no quoted market prices for the Company's various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques.

Those techniques are significantly affected by the assumptions used, including the discount rate and estimate of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument.

Guidance provides a consistent definition of fair value, which focuses on exit price in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. If there has been a significant decrease in the volume and level of activity for the asset or liability, a change in valuation technique or the use of multiple valuation techniques may be appropriate. In such instances, determining the price at which willing market participants would transact at the measurement date under current market conditions depends on the facts and circumstances and requires the use of significant judgment. The fair value is considered a reasonable point within the range that is most representative of fair value under current market conditions.

Fair Value Hierarchy

The Company groups its financial assets and financial liabilities measured at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value.

Level 1—Valuation is based on quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 1 assets and liabilities generally include debt and equity securities that are traded in an active exchange market. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2—Valuation is based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. The valuation may be based on quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability.

Level 3—Valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which determination of fair value requires significant management judgment or estimation.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The following methods and assumptions were used by the Company in estimating the fair value disclosures for financial instruments:

Cash and Cash Equivalents and Interest-Bearing Deposits in Banks

The carrying amounts of cash and short-term instruments approximate fair values based on the short-term nature of the assets.

Fair values of other interest-bearing deposits are estimated using discounted cash flow analyses based on current rates for similar types of deposits.

Securities Available for Sale

Where quoted prices are available in an active market, the Company classifies the securities within Level 1 of the valuation hierarchy. Securities are defined as both long and short positions. Level 1 securities include highly liquid government bonds and exchange-traded equities.

If quoted market prices are not available, the Company estimates fair values using pricing models and discounted cash flows that consider standard input factors such as observable market data, benchmark yields, interest rate volatilities, broker/dealer quotes and credit spreads.

Examples of such instruments, which would generally be classified within Level 2 of the valuation hierarchy, include U.S. government and agency securities, corporate bonds and other securities. Mortgage-backed securities that are included in Level 2 if observable inputs are available. In certain cases where there is limited activity or less transparency around inputs to the valuation, the Company classifies those securities in Level 3.

Loans

For variable-rate loans that reprice frequently and with no significant change in credit risk, fair values are based on carrying values. Fair values for certain mortgage loans (e.g., one-to-four family residential), credit card loans, and other consumer loans are based on quoted market prices of similar loans sold in conjunction with securitization transactions, adjusted for differences in loan characteristics. Fair values for other loans (e.g., commercial and agricultural loans) are estimated using discounted cash flow analyses, using interest rates currently being offered for loans with similar terms to borrowers of similar credit quality. Fair values for non-performing loans are estimated using discounted cash flow analyses or underlying collateral values, where applicable.

Loans Held for Sale

The carrying value of loans held for sale generally approximates fair value based on the short-term nature of the assets. If management identifies a loan held for sale that will ultimately sell at a value less than its carrying value, it is recorded at the estimated value.

Loan Servicing Rights

Fair value is based on market prices for comparable loan servicing contracts, when available, or alternatively, is based on a valuation model that calculates the present value of estimated future net servicing income.

Other Real Estate Owned

Loans on which the underlying collateral has been repossessed are adjusted to fair value upon transfer to other real estate owned. Subsequently, other real estate owned is carried at the lower of carrying value or fair value. Fair value is based upon independent market prices, appraised values of the collateral, or management's estimation of the value of the collateral. Due to the significance of the unobservable inputs, all other real estate owned are classified as Level 3.

Deposits

The fair values disclosed for demand deposits (e.g., interest and non-interest checking, passbook savings, and certain types of money market accounts) are, by definition, equal to the amount payable on demand at the reporting date (i.e., their carrying amounts). The carrying amounts of variable-rate, fixed-term money market accounts and certificates of deposit approximate their fair values at the reporting date. Fair values for fixed-rate certificates of deposit are estimated using a discounted cash flow calculation that applies interest rates currently being offered on certificates to a schedule of aggregated expected monthly maturities on time deposits.

Other Borrowings

The carrying amounts of federal funds purchased, other borrowings and other short-term borrowings maturing within ninety days approximate their fair values. Fair values of other short-term borrowings are estimated using discounted cash flow analyses based on current market rates for similar types of borrowing arrangements.

Advances from FHLB

Current market rates for debt with similar terms and remaining maturities are used to estimate fair value of existing debt. Fair values are estimated using discounted cash flow analyses based on current market rates for similar types of borrowing arrangements.

Subordinated Debentures

The carrying amounts approximate fair value.

Accrued Interest

The carrying amounts approximate fair value.

Commitments to Extend Credit and Standby Letters of Credit

As of December 31, 2015 and 2014, the carrying and fair values of the commitment to extend credit and standby letters of credit are not considered significant.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

Assets and liabilities measured at fair value on a recurring basis are summarized below:

| | Level 1 | Level 2 | Level 3 | Total Fair Value |
|---------------------------------------|------------------------|----------|---------|------------------|
| | Inputs | | | Value |
| | (dollars in thousands) | | | |
| December 31, 2015 | | | | |
| Securities available for sale: | | | | |
| U.S. government and agency securities | \$— | \$2,003 | \$ — | \$2,003 |
| Municipal securities | — | 46,312 | — | 46,312 |
| Mortgage-backed securities | — | 34,966 | — | 34,966 |
| Total assets at fair value | \$— | \$83,281 | \$ — | \$83,281 |
| December 31, 2014 | | | | |
| Securities available for sale: | | | | |
| U.S. government and agency securities | \$— | \$2,005 | \$ — | \$2,005 |
| Municipal securities | — | 41,849 | — | 41,849 |
| Mortgage-backed securities | — | 37,428 | — | 37,428 |
| Total assets at fair value | \$— | \$81,282 | \$ — | \$81,282 |

Assets Measured at Fair Value on a Nonrecurring Basis

Certain assets and liabilities are measured at fair value on a nonrecurring basis; that is, they are subject to fair value adjustments in certain circumstances (for example, when there is evidence of impairment). The following table presents the financial instruments carried on the consolidated balance sheet by caption and by level in the fair value hierarchy for which a nonrecurring change in fair value has been recorded:

| | Level 1 | Level 2 | Level 3 | Impairment |
|----------------------------|------------------------|---------|----------|------------|
| | Inputs | | | Losses |
| | (dollars in thousands) | | | |
| December 31, 2015 | | | | |
| Impaired loans | \$— | \$ — | \$28,100 | \$ 2,302 |
| Other real estate owned | — | — | 2,872 | 256 |
| Total assets at fair value | \$— | \$ — | \$30,972 | \$ 2,558 |
| December 31, 2014 | | | | |
| Impaired loans | \$— | \$ — | \$21,950 | \$ 2,894 |
| Other real estate owned | — | — | 7,137 | 1,190 |
| Total assets at fair value | \$— | \$ — | \$29,087 | \$ 4,084 |

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The significant inputs used in the fair value measurements for Level 3 assets measured at fair value on a nonrecurring basis are as follows:

| December 31, 2015 | | | |
|-------------------------|--------------------------|----------------------|--------------|
| | Valuation | Unobservable | Range |
| | Techniques | Inputs | (Average) |
| Impaired loans | Evaluation of collateral | Estimation of value | NM* |
| Other real estate owned | Appraisal | Appraisal adjustment | 4%-23% (12%) |
| December 31, 2014 | | | |
| | Valuation | Unobservable | Range |
| | Techniques | Inputs | (Average) |
| Impaired loans | Evaluation of collateral | Estimation of value | NM* |
| Other real estate owned | Appraisal | Appraisal adjustment | 3%-28% (9%) |

*Not Meaningful. Evaluations of the underlying assets are completed for each impaired loan with a specific reserve. The types of collateral vary widely and could include accounts receivables, inventory, a variety of equipment and real estate. Collateral evaluations are reviewed and discounted as appropriate based on knowledge of the specific type of collateral. In the case of real estate, an independent appraisal may be obtained. Types of discounts considered include aging of receivables, condition of the collateral, potential market for the collateral, and estimated disposal costs. These discounts will vary from loan to loan, thus providing a range would not be meaningful.

Impaired Loans

In accordance with the provisions of the loan impairment guidance, impairment was measured for which it is probable that payment of interest and principal will not be made in accordance with the contractual terms of the loan agreement. The fair value of impaired loans is estimated using one of several methods, including collateral value, market value of similar debt, or discounted cash flows. Those impaired loans not requiring an allowance represent loans for which the fair value of the expected repayments or collateral exceeds the recorded investments in such loans. Impaired loans for which an allowance is established based on the fair value of collateral require classification in the fair value hierarchy. Collateral values are estimated using Level 3 inputs based on customized discounting criteria.

Impairment amounts on impaired loans represent specific valuation allowance and write-downs during the period presented on impaired loans that were individually evaluated for impairment based on the estimated fair value of the collateral less estimated selling costs, excluding impaired loans fully charged-off.

Other Real Estate Owned

Foreclosed assets are recorded at fair value based on property appraisals, less estimated selling costs, at the date of the transfer with any impairment amount charged to the allowance for loan losses. Subsequent to the transfer, foreclosed assets are carried at the lower of cost or fair value, less estimated selling costs with changes in fair value or any impairment amount recorded in the other non-interest expense. Values are estimated using Level 3 inputs based on customized discounting criteria. The carrying value of foreclosed assets is not re-measured to fair value on a recurring basis but is subject to fair value adjustments when the carrying value exceeds the fair value, less estimated selling costs.

The estimated fair values, and related carrying or notional amounts, of the Company's financial instruments are as follows:

| | December 31, | | 2014 | | Input |
|---|--------------|----------|----------|----------|-------|
| | 2015 | | 2014 | | |
| | Carrying | Fair | Carrying | Fair | |
| | Amount | Value | Amount | Value | Level |
| Financial assets: | | | | | |
| (dollars in thousands) | | | | | |
| Cash and cash equivalents | \$14,907 | \$14,907 | \$10,480 | \$10,480 | 1 |
| FHLB Stock | 3,507 | 3,507 | 1,252 | 1,252 | 2 |
| Securities available for sale | 83,281 | 83,281 | 81,282 | 81,282 | 2 |
| Loans, net of allowance for loan losses | 737,784 | 745,572 | 637,519 | 647,973 | 3 |
| Loans held for sale | 9,201 | 9,201 | 4,114 | 4,114 | 3 |
| Accrued interest receivable | 2,562 | 2,562 | 2,219 | 2,219 | 2 |
| Loan servicing rights | 8,145 | 10,705 | 7,746 | 10,043 | 3 |
| Financial liabilities: | | | | | |
| Deposits: | | | | | |
| Time | 426,333 | 431,077 | 383,639 | 388,141 | 3 |
| Other deposits | 245,893 | 242,493 | 221,830 | 221,830 | 1 |
| Other borrowings | 3,945 | 3,945 | 23,857 | 23,857 | 3 |
| Advances from FHLB | 66,445 | 67,318 | 28,000 | 28,510 | 3 |
| Subordinated debentures | 12,372 | 12,372 | 12,372 | 12,372 | 3 |
| Accrued interest payable | 1,459 | 1,459 | 1,284 | 1,284 | 2 |

NOTE 20—EARNINGS PER SHARE

Earnings per common share (“EPS”) has been computed based on the following:

| | For the Year Ended December 31, | |
|---|---------------------------------------|---------|
| | 2015 | 2014 |
| Net income from continuing operations | \$10,974 | \$8,210 |
| Less: preferred stock dividends including SBLF | 485 | 470 |
| Income available to common shareholders for basic EPS | \$10,489 | \$7,740 |
| Average number of common shares issued | 6,457 | 5,247 |
| Less: weighted average treasury shares | 412 | 376 |
| Less: weighted average nonvested equity incentive plan shares | 381 | 402 |
| Weighted average number of common shares outstanding | 5,664 | 4,469 |
| Effect of dilutive options | 114 | 112 |
| Weighted average number of common shares outstanding | | |
| used to calculate diluted earnings per common share | 5,778 | 4,581 |

NOTE 21—DIVIDEND AND CAPITAL RESTRICTIONS

Federal and state banking regulations place certain restrictions on dividends paid and loans or advances made by the Bank to the Company. In addition, dividends paid by the Bank to the Company would be prohibited if the effect thereof would cause the Bank’s capital to be reduced below applicable minimum capital requirements. Cash dividends paid to the Company by the Bank were \$1,200,000 for the years ended December 31, 2015 and December 31, 2014.

NOTE 22 – COMMITMENTS AND CONTINGENCIES

During the second quarter of 2015, the Company began construction on its new branch in Stevens Point, Wisconsin. The project was completed during the first quarter of 2016 at a cost of \$3.9 million, of which \$2.9 million had been incurred as of December 31, 2015.

NOTE 23—SUBSEQUENT EVENTS

Management evaluated subsequent events through the date the financial statements were issued. Events or transactions occurring after December 31, 2015, but prior to issuance that provided additional evidence about conditions that existed at December 31, 2015, have been recognized in the financial statements for the year ended December 31, 2015. Events or transactions that provided evidence about conditions that did not exist at December 31, 2015, but

arose before the consolidated financial statements were issued have not been recognized in the consolidated financial statements for the year ended December 31, 2015.

On January 5, 2016, \$12.6 million of loans to one agricultural customer were classified as a TDR due to concessions that were made and that commenced on the loans, as of that date. These loans were classified as non-accrual status as of December 31, 2015 so the reclassification to TDR did not have any financial impact to the Company. On March 1, 2016, one of the two farms that the Company held as collateral on the loans was sold and \$6.5 million of loans were paid off with the proceeds. The customer is actively trying find a buyer for the remaining farm.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosures Controls and Procedures: Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of December 31, 2015. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of December 31, 2015, our disclosure controls and procedures were effective in recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by us in the reports that we file or submit under the Exchange Act.

Changes in Internal Control Over Financial Reporting: There was no change in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act that occurred during the quarter ended December 31, 2015 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting

REPORT BY COUNTY BANCORP, INC.'S MANAGEMENT

ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Our management is responsible for establishing and maintaining an effective system of internal control over financial reporting, as such term is defined in Section 13a-15(f) of the Exchange Act. The Company's system of internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. There are inherent limitations in the effectiveness of any system of internal control over financial reporting, including the possibility of human error and circumvention or overriding of controls. Accordingly, even an effective system of internal control over financial reporting can provide only reasonable assurance with respect to financial statement preparation. Projections of any evaluation of effectiveness to future periods are subject to the risks that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

Management maintains a comprehensive system of internal controls intended to ensure that transactions are executed in accordance with management's authorization, assets are safeguarded and financial records are reliable. Management also takes steps to see that information and communication flows are effective and to monitor performance, including performance of internal control procedures.

Management assessed the Company's systems of internal control over financial reporting as of December 31, 2015. This assessment was based on criteria for effective internal control over financial reporting described in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, management believes that as of December 31, 2015, the Company maintained effective internal control over financial reporting based on those criteria. Our auditors will not be required to formally opine on the effectiveness of our internal control over financial reporting until we are no longer an "emerging growth company" as defined in the JOBS Act as we availed ourselves of the exemptions available to us under the JOBS Act.

ITEM 9B. OTHER INFORMATION

None.

92

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this Item concerning our directors, audit committee, and audit committee financial experts, code of ethics and compliance with Section 16(a) of the Exchange Act is incorporated herein by reference to an amendment to our Annual Report on Form 10-K to be filed within 120 days of our fiscal year end.

We have adopted a code of business conduct and ethics that applies to our directors, officers and employees, including our principal executive officer, principal financial officer, principal accounting officer and controller. We have posted the code of business conduct and ethics on our website at www.investorscommunitybank.com, and the Company intends to satisfy its disclosure requirement by this reference.

Our code of business conduct and ethics is available in print for any shareholder who requests it by writing to Mr. Mark A. Miller, Secretary, County Bancorp, Inc., 860 North Rapid Road, Manitowoc, Wisconsin 54221. We are not including the information available on or through our website as part of, or incorporating such information by reference into, this Annual Report on Form 10-K.

EXECUTIVE OFFICERS

All executive officers are elected annually by the Board of Directors and serve until their successors are elected and qualified. As of the date hereof, no executive officer set forth below is related to any director or other executive officer of the Company or the Bank by blood, marriage or adoption, and there are no arrangements or understandings between a director of the Company and any other person pursuant to which such person was elected an executive officer. Set forth below is information as of March 1, 2016 with respect to the principal occupations during the last five years for the executive officer.

| Name and Age | Position |
|--------------------------|---|
| William C. Censky, 64 | Mr. Censky is one of our founders and has served as Chairman of the Board of the Company since 1996 as well as Executive Chairman of the Bank since 1997. Mr. Censky has served on our Board of Directors since the Company's inception in May 1996. Mr. Censky previously served as President of the Company from 1997 to September 2014 and as Chief Executive Officer of the Bank from 1997 to November 2013. Mr. Censky is an accomplished bank executive and leader with over 30 years of bank management experience ranging from being a bank Chief Executive Officer, a founding chairman of a successful de novo bank, an organizing board member for two additional de novo banks, to being the Chief Financial and Operations officer of an independent state chartered bank, which qualifies him to serve as director of the Company. Mr. Censky holds a B.B.A. degree in finance and an M.B.A with concentrations in accounting and finance from the University of Wisconsin—Oshkosh. |
| Timothy J. Schneider, 50 | Mr. Schneider is one of our founders and has served as President of the Company since September 2014 and as Chief Executive Officer of the Bank since November 2013. Mr. Schneider has previously served as our Vice President from 1996 to September 2014, our Secretary from 1996 to 2014, and Chief Operating Officer and commercial and agricultural lender of the Bank from 1997 to 2013. Mr. Schneider has also served on our Board of Directors since May 1996. Mr. Schneider has been in the banking profession for over 25 years, during which time he gained expertise in agricultural |

and commercial banking as a commercial and agricultural lender, which qualifies him to serve as director of the Company. Mr. Schneider holds a Bachelor's Degree of Business in management and economics from the University of Wisconsin—River Falls, and a degree from the Graduate School of Banking of the University of Wisconsin—Madison.

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Name and Age Position

| | |
|------------------------|--|
| Mark R. Binversie, 56 | <p>Mr. Binversie is one of our founders and has served as President of the Bank since March 1997. Mr. Binversie has also served on our Board of Directors since May 1996. Prior to joining us, Mr. Binversie oversaw the Agricultural Department for Firststar Bank Manitowoc for 16 years. Mr. Binversie previously owned and operated Heartland Dairy, LLC, a dairy farm, for 15 years. His agricultural lending expertise has led to his involvement in redesigning the Farm Service Agency's Guaranteed Loan Program and his assistance in the Wisconsin Housing Economic Development Authority's Credit Relief Outreach Program for Wisconsin's farmers. Mr. Binversie also served as President and chairman of the Agriculture Bankers Section of the Wisconsin Bankers Association. Mr. Binversie's qualifications to serve as a director of the Company include his operating, management and leadership experience in County and in the banking industry more generally, as well as his experience in the dairy farm sector. Mr. Binversie holds a Bachelor's degree in Agri-Business and Economics from the University of Wisconsin—Platteville.</p> |
| Gary R. Abramowicz, 58 | <p>Mr. Abramowicz has been our Chief Financial Officer and Treasurer, as well as Chief Financial Officer and Executive Vice President of the Bank, since May 2008. Mr. Abramowicz is a certified public accountant with over 30 years of banking experience in accounting, operations management and financial management in banking, including over 15 years as a Chief Financial Officer at a bank holding company. Mr. Abramowicz holds a B.B.A. degree in accounting from the University of Wisconsin—Eau Claire.</p> |
| David A. Coggins, 62 | <p>Mr. Coggins joined the bank as Executive Vice President of agricultural banking in August 2009 and served in that capacity until becoming Chief Banking Officer in November 2015. Mr. Coggins has over 40 years of financial and banking experience with 34 years of prior progressive experience in lending, supervision and executive management in both agricultural and commercial lending institutions. Mr. Coggins holds a Bachelor's degree in Animal Science from the University of Wisconsin-River Falls.</p> |
| Craig P. Mayo, 53 | <p>Mr. Mayo, Executive Vice President, has been with the Bank since October 2011 and Chief Credit Officer of the Bank since July 2014. He is a seasoned banking professional with 30 years of experience in credit and sales, with a strong credit background with formal credit training. Prior to his experience at the Bank, he was Vice President and Special Loans Officer at Citizens Bank in Green Bay, Wisconsin from 2009 to 2011. Mr. Mayo holds a B.A. degree from Middlebury College.</p> |
| Mark A. Miller, 59 | <p>Mr. Miller has been the Secretary of the Company since March 2014, Executive Vice President and Chief Risk Officer since January 2014 and Counsel of the Bank since 2011. Prior to joining the Company, Mr. Miller was president of Miller Advisors, LLC, a law firm advising company from 2010 to 2011. Mr. Miller was also the chief executive officer and a shareholder of Whyte Hirschboeck Dudek S.C., a full-service law firm in Milwaukee, Wisconsin from 2001 to 2009 and from 1994 to 2009, respectively. Mr. Miller was also President of Miller Implement Company, a farm equipment dealership, from 1992 to 2008. Mr. Miller holds an A.B. degree in History from the University of Chicago and a juris doctorate degree from Marquette University Law School.</p> |

ITEM 11. EXECUTIVE COMPENSATION

Information with respect to compensation for our directors and officers is incorporated herein by reference to an amendment to our Annual Report on Form 10-K to be filed within 120 days of our fiscal year end.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED SHAREHOLDER MATTERS

Information with respect to security ownership of certain beneficial owners and management is incorporated herein by reference to an amendment to our Annual Report on Form 10-K to be filed within 120 days of our fiscal year end.

Equity compensation plan information:

The following table sets forth information regarding options and shares reserved for future issuance under the equity compensation plans as of December 31, 2015.

| Plan Category | Number of securities to be issued upon exercise of outstanding options, warrants and rights | Weighted-average exercise price of outstanding options, warrants and rights | Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) |
|--|---|---|---|
| | (a) | (b) | (c) |
| Equity compensation plans approved by security holders | 351,931 | \$ 13.71 | 141,870 |
| Equity compensation plans not approved by security holders | — | — | — |
| Total | 351,931 | \$ 13.71 | 141,870 |

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information with respect to certain relationships and related transactions is incorporated herein by reference to an amendment to our Annual Report on Form 10-K to be filed within 120 days of our fiscal year end.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information with respect to principal accounting fees and services is incorporated herein by reference to an amendment to our Annual Report on Form 10-K to be filed within 120 days of our fiscal year end.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

The Consolidated Financial Statements listed on the Index included under “Item 8. Financial Statements and Supplementary Data” are filed as a part of this Form 10-K. All financial statement schedules have been included in the Consolidated Financial Statements or are either not applicable or not significant.

Reference is made to the Exhibit Index following the signatures for exhibits filed as part of this Form 10-K.

SIGNATURES

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Pursuant to the requirements of Section 13 or 15 (d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

COUNTY BANCORP, INC

Date: March 23, 2016 By: /s/ Timothy J. Schneider
Timothy J. Schneider
President

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

| Name | Title | Date |
|--------------------------|--|-----------|
| /s/ Timothy J. Schneider | President (Principal Executive Officer) and Director | March 23, |
| Timothy J. Schneider | | 2016 |

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| | | |
|--|--|----------------|
| /s/ Gary R. Abramowicz Gary R. Abramowicz | Chief Financial Officer and Treasurer (Principal Financial Officer and Principal Accounting Officer) | March 23, 2016 |
| /s/ William C. Censky William C. Censky | Chairman of the Board and Director | March 23, 2016 |
| /s/ Mark R. Binversie Mark R. Binversie | Director | March 23, 2016 |
| /s/ Carmen L. Chizek Carmen L. Chizek | Director | March 23, 2016 |
| /s/ Lynn D. Davis Lynn D. Davis | Director | March 23, 2016 |
| /s/ Edson P. Foster Edson P. Foster | Director | March 23, 2016 |
| /s/ Wayne D. Mueller Wayne D. Mueller | Director | March 23, 2016 |
| /s/ Andrew J. Steimle Andrew J. Steimle | Director | March 23, 2016 |
| /s/ Kenneth R. Zacharias Kenneth R. Zacharias | Director | March 23, 2016 |
| Gary Ziegelbauer | | |

EXHIBIT INDEX

Exhibit

Number Exhibit Description

2.1** Agreement and Plan of Merger among County Bancorp, Inc., County Acquisition LLC, and Fox River Valley Bancorp, Inc. dated November 19, 2015

3.1* Amended and Restated Articles of Incorporation of County Bancorp, Inc.

3.2* Amended and Restated Bylaws of County Bancorp, Inc.

4.1* Instruments Definition the Rights of Security Holders, Including Indentures.

County Bancorp, Inc., by signing this registration statement, agrees to furnish the SEC, upon its request, a copy of any instrument that defines the rights of holders of long-term debt of County Bancorp, Inc. and its consolidated and unconsolidated subsidiaries for which consolidated or unconsolidated financial statements are required to be filed and that authorizes total amount of securities not in excess of 10% of the total assets of County Bancorp, Inc. on a consolidated basis.

4.2* Form of Common Stock Certificate of County Bancorp, Inc.

10.1+* Amended and Restated Employment Agreement between Investors Community Bank and William C. Censky, effective as of November 5, 2014

10.2+* Amended and Restated Employment Agreement between Investors Community Bank and Timothy J. Schneider, effective as of November 5, 2014

10.3+* Amended and Restated Employment Agreement between Investors Community Bank and Mark R. Binversie, effective as of November 5, 2014

10.4+* Amended and Restated Employment Agreement between Investors Community Bank and Gary R. Abramowicz, effective as of November 5, 2014

10.5+* Transition Plan of Wayne Mueller

10.6+* Form of Investors Community Bank Salary Continuation Agreement

10.7+* Investors Community Bank Management Employees' Elective Deferred Compensation Plan, as amended January 2013

10.8+* County Bancorp, Inc. 2012 Equity Incentive Compensation Plan, amended and restated effective October 7, 2014

10.9+* Form of 2012 County Bancorp, Inc. 2012 Equity Incentive Compensation Plan Award Agreement

- 10.10+* Investors Community Bank 2006 Equity Compensation Plan
- 10.11+* Form of Investors Community Bancorp, Inc. 2006 Equity Compensation Plan Award Agreement
- 10.12+* County Bancorp, Inc. Management Incentive Plan
- 10.13+* Form of County Bancorp, Inc. Management Incentive Plan Stock Option Agreement
- 21.1 Subsidiaries
- 23.1 Consent of Independent Registered Public Accounting Firm
- 31.1 Certification of the President pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended.
- 31.2 Certification of the Chief Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended.
- 32.1 Certification of the President pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934, as amended and 18 U.S.C. Section 1350
- 32.2 Certification of the Chief Financial Officer pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934, as amended and 18 U.S.C. Section 1350
- 101.INS XBRL Instance Document
- 101.SCH XBRL Taxonomy Extension Schema Document
- 101.CAL XBRL Taxonomy Extension Calculation Linkbase Document

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Exhibit

Number Exhibit Description

101.DEF XBRL Taxonomy Extension Definitions Linkbase Document

101.LAB XBRL Taxonomy Extension Label Linkbase Document

101.PRE XBRL Taxonomy Extension Presentation Linkbase Document

*Incorporated by reference to County Bancorp, Inc.'s Registration Statement on Form S-1 (File No. 333-200081) filed on November 10, 2014.

**Incorporated by reference to County Bancorp, Inc.'s current report on Form 8-K filed on November 20, 2015.

+Indicates a management contract or compensation plan or arrangement.