



# ANNUAL REPORT 2022



Member  
**FDIC**

*Investing in you.*

# MESSAGE TO OUR STAKEHOLDERS



Dear Clients, Shareholders, and Friends,

We are an organization that thrives on executing on behalf of its clients, employees, communities, and shareholders. We aim to provide straightforward and prudent financial support to enable our stakeholders to build a successful financial future. We support our clients in building a financial future that fits with their version of success.

2022 was another year where we can say we helped Minnesotans succeed. The Flagship Bank crew is exceptionally proud of the results. After two years of unprecedented growth that challenged our crew and provided significant dollars to Minnesota small businesses, we saw a return to a more stable market environment. We met the new environment and finished with another strong year with pre-tax earnings of \$5,164,000, pre-tax return on average assets of 1.59%, and a pre-tax return on average equity of 17.03%, three key metrics in the financial industry. We accomplished this while maintaining record low non-performing assets of \$27,000, and without brokered deposits, internet certificates of deposit, or FHLB borrowings. Ultimately, we are a bank funded by our communities and lend right back into our communities. It's this simple approach that drives our consistent and stable ability to generate strong performance for our shareholders.

In 2013, we came to the bank with a plan to focus our efforts on relationship banking: community business banking in its true form, helping owner operators, their employees, and our communities grow. We will continue to emphasize this investment in building relationships with Minnesota residents and their businesses wherever that may take us.

Our business model continues to be relevant and competitive. The care and attention given to every request and to every client brings advantages to our stakeholders as they seek to move quickly and with certainty on whatever opportunities and challenges they face. Furthermore, we are intensely focused on our client experience and bringing curiosity in our approach to technology. We've made significant progress over the past few years through investments in our cash management and online banking platforms to provide technology-driven solutions for our clients' financial needs.

We have big goals for our bank in 2023, and our focus has never been stronger. Owner-operators need financial support and we are positioned well to provide it. We know respecting and caring for each other matters and we plan to provide it well into the future. We are eyeing a strong return to growth as the market dynamics change, The Federal Reserve reduces liquidity in the system, and we continue to add to our team.

Thank you for your trust, your partnership, and the opportunity to play a role in your financial future.

A handwritten signature in black ink that reads "Brian Wagner".

Brian Wagner, President

A handwritten signature in black ink that reads "Andy Schornack".

Andy Schornack, CEO



# COMMERCIAL BANKING

Combine the fact that small business owners are the engine of America's economy with 2022's fast-paced interest rate environment, and you are left with a lot of entrepreneurs at a crossroad of opportunity. Flagship worked hard this year to provide financial programs, investing resources, and sponsored events to help put them in a position for current and future success.



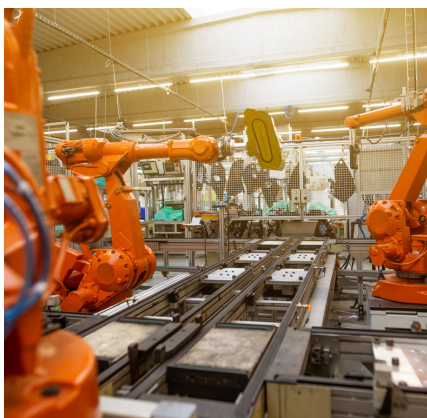
## EO RALLY SPONSOR

The Entrepreneurs' Rally is an annual event put on by EO Minnesota, Traction Capital, and Hill Capital Corporation. The Rally connects early-stage entrepreneurs with experienced business mentors for guidance, connections, and some fresh inspiration. 2022 marked the first year Flagship became involved as a sponsor where we shared insight on a bank's perspective and heard from other experts. We're always looking for opportunities to expand our knowledge base so we can best serve our business customers.



## COMMUNITY SUPPORTER OF COALITION9'S SPARK SERIES

Minnesota entrepreneurial group, Coalition9, created a series meant to build relationships and share ideas amongst community business leaders. With Flagship's partnership, they hosted seven in-person events in 2022. These events included panel discussions on economic outlook, communication workshopping, and recruiting strategies.



## MN DEED AUTOMATION LOAN PROGRAM

At the end of November, The Minnesota Department of Employment and Economic Development launched a program to cover financing gaps and expand financing opportunities for businesses purchasing machinery, equipment, or software to increase productivity and automation. We hopped on the chance to partner with MN DEED to help spread the word on this financing option for our Minnesota small business owners in the manufacturing, technology, distribution, and warehousing industries.

# SMALL BUSINESS ACQUISITIONS

As more and more baby boomers transition out of ownership without a succession plan, we've seen an expansion in our small business acquisition loan portfolio. Acquisition entrepreneurship is a global movement in which we will continue to see increased interest and growth, especially in Minnesota. Because of that, we wrote numerous articles on entrepreneurship through acquisition on our blog, [The Helm](#), and co-hosted a Twin Cities Startup Week event in September. Our philosophy: the more resources we can provide on acquisition entrepreneurship, the better we can help them capitalize on new investing opportunities and make a meaningful impact in our community.



## #TCSW2022

Twin Cities Startup Week 2022 promised and delivered on another year of thought-provoking conversation and connection with local entrepreneurs and startup enthusiasts. We partnered with the team at Showcraft to host the session "Skip the Startup: How to Buy and Build a Company through Acquisition Entrepreneurship". It was an evening well-spent with great panel discussions on tools, insights, and past experiences in the ETA space.

Panelists included (pictured left to right): Andy Schornack of Flagship Bank, Adam Rao of Showcraft, Karen Spencer of Searchfunder.com, and Havell Rodrigues of New Majority Capital.

# NONPROFIT BANKING



Helping nonprofit organizations thrive is one way we help the communities we serve. We are able to do this both with the nonprofit banking services we offer and our annual sponsorship with Randy Shaver Cancer Research & Community Fund (RSCRCF).

We partner with good people over at RSCRCF on their mission to support the cancer community in Minnesota by funding research, prevention, treatment, and other programs.



Since 2017, we've been a sponsor of many of their fundraising efforts. From participating in the 5K race and celebrity golf tournament, to Tackle Cancer coin counting and coffee mug donations, we're there every step of the way.

RSCRCF's 2022 fundraising efforts benefitted over 30 grant recipients.



“Wayzata branch has the friendliest, most knowledgeable staff - always go above and beyond questions asked. I personally have transferred my personal banking because my business experiences have been so incredible!”

— Roseann Giovanatto-Shaver



# COMMUNITY GIVEBACK

A few other local organizations and community giveback initiatives that we were able to partner on this past year include:



## FAMILY PATHWAYS

From food drives at our northern branch locations in the spring to bank-wide holiday toy collections in the winter, working with Family Pathways puts wind in our sails and floats our boat. Family Pathways is a nonprofit organization dedicated to providing healthy food access and support services to victims of domestic and sexual violence. Thanks to our generous team members and customers, we were able to make 50 kids' and teens' holiday season a little brighter. The "Giving Tree" is something that we've participated in for more than 40 years and look forward to continuing for decades to come.



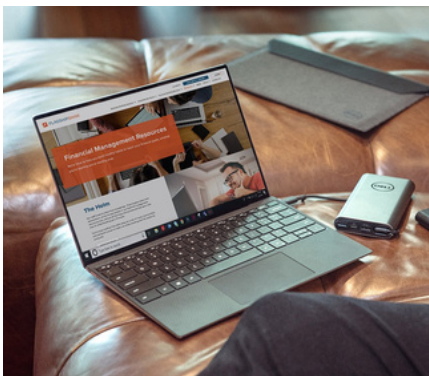
## EDEN PRAIRIE COMMUNITY FOUNDATION

The Eden Prairie Community Foundation has been an organization near and dear to our hearts since its founding. In the late 1970s, Flagship's former President, Roy Terwilliger created an annual luncheon to bring community organizations and local leaders together to talk and increase volunteerism. From there, our partnership was formed. 2022's luncheon and sponsorship brought another year of building connections, uniting Eden Prairie one neighbor at a time, and a speech from Flagship's current President, Brian Wagner.



## INTERACTIVE LEARNING OPPORTUNITIES

We are constantly looking for innovative ways to create meaningful connections and encourage financial literacy among community members of all ages. In 2022, one of those ways was hosting Daisy Girl Scout Troop 8906 at our Minnetonka branch. They got to see how the drive thru operates, where we store the safety deposit boxes, and decorate their own piggy banks to take home and start saving with.



## ONLINE LEARNING OPPORTUNITIES

We continue to offer and build upon the free online resources on our website including:

- [Investment Real Estate Guide](#)
- [Guide to Personal Loans & Mortgages](#)
- [Guide to Cash Management](#)
- [Guide to Business Loans](#)
- [Financing Small Business Acquisitions](#)
- [Online and Mobile Banking FAQ](#)





# COMMUNITY GIVEBACK: JEANS DAY

Every September, in recognition of Community Impact Month, we roll out individual donations to six local nonprofits with whom we have built a relationship. Flagship employees voluntarily put \$2/week into a jar to wear jeans on Fridays, and at the end of the year, we choose an organization to receive the bank-matched donation. This year, we were able to give \$600 to each of the following organizations:

- North Oaks* → *White Bear Area Food Shelf*
- Minnetonka* → *West Metro Miracle Athletics*
- Eden Prairie* → *Wings of the North*
- Wayzata* → *Capable Partners Inc.*
- Ramsey* → *Anoka Marching Band*
- Isanti* → *Krayola Kids Child Care Center*



North Oaks' Jeans Day recipient, White Bear Area Food Shelf, has been providing food and support to our neighbors in need since 1977. Our \$600 donation allowed them to supply 4,800 pounds of food.

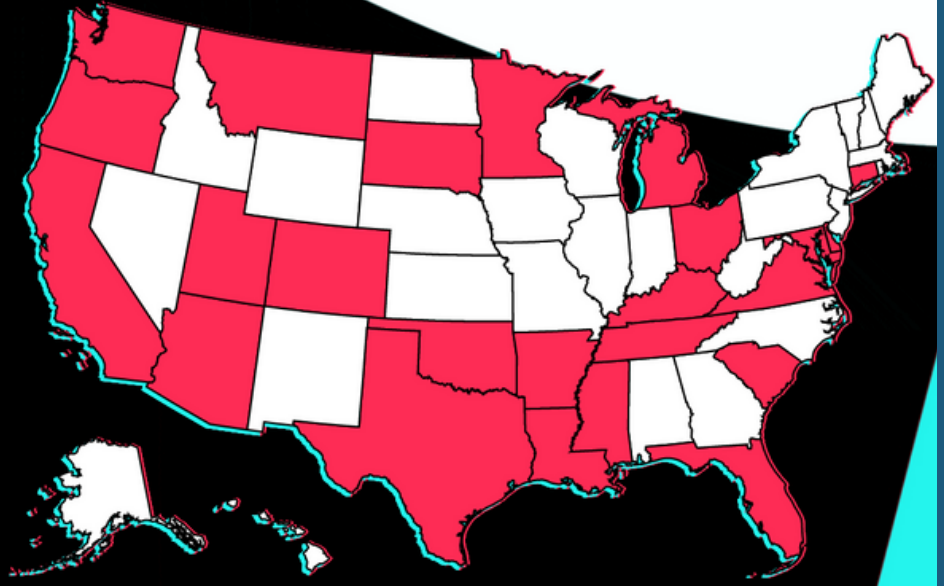
Minnetonka's Jeans Day recipient, West Metro Miracle Athletics, provides children with special needs the opportunity to play baseball, basketball, and kickball on a team. Our \$600 donation went towards fence repairs and field upkeep at Bennett Family Park.

# OUR BANK IN THE NEWS

 **TikTok** Impact

## Small businesses are BOOMING on TikTok

Every day, small businesses depend on TikTok to reach customers, build their brands, and grow. Check out their incredible stories to learn how together we're driving real economic growth and job creation in communities across the US.



### @TIKTOKIMPACT

In May, TikTok launched a new initiative that features small businesses across the U.S. who are using their platform in big ways. TikTok selected a few in each state to create custom videos about their journey on the app. Flagship Bank was one of them.

Check out our [TikTok story](#).



### VOTED BEST BANK OF 2022

Sun Sailor readers in Excelsior voted us "Best Bank" for 2022.



### BROADCAST ON KARE11 NEWS

For our participation in the annual Marine Toys for Tots collection, we got a quick segment on KARE11 News. Our toy drive fundraising efforts resulted in over 100 toys getting donated to families in need this holiday season. [Check out our interview](#).



## OUR TEAM IN THE NEWS

Our team’s remarkable professional accomplishments and selfless contributions to our community gained national recognition throughout 2022. Individuals across departments - Operations, Personal Banking, Business Banking, and Risk Management - received a well-deserved award.



**LYNN RHODES**  
Rising Star in  
2022  
*by BankBeat*



**ANDY SCHORNACK**  
2022  
40 Under 40  
*by MSPBJ*



**ATHINA THORNTON**  
40 Under 40:  
Emerging Community  
Bank Leader  
*by Independent Banker*



**JACKIE HERMAN**  
Women  
Transforming  
Business Nominee  
*by CBIZ*



**JENNIFER SCHMIEGE**  
2022 Employee  
of the Year  
Nominee  
*by North65 Chamber*

GROWING TEAM

We welcomed seven folks to our Retail, Loan Operations, and Credit teams in 2022. Each brought with them a passion for the industry and a care for our clients that greatly contributed to Flagship's success this past year.



**Mark Harakh**

Credit Analyst



**Macy Nosbush**

Teller



**Brandi Lallas**

Personal Banker



**Dylan Ness-Sullivan**

Teller



**Grace Denesen**

Teller



**Janet Derfus**

Personal Banker



**Mariah Anderson**

Loan Administrator

*We are looking to continue to grow our team in 2023! If you're interested in making a difference in Minnesota's small business community, apply for one of the positions below and check out our site for more information:*

[Commercial Lender](#)

[Operations Specialist](#)

[SVP of Lending / Branch Manager](#)

# WHERE TO FIND US

## SOCIAL MEDIA

You can follow us on social media to stay in the know about community events, where to shop locally, and what's new at Flagship.



[@flagshipbank](#)



## SUMMER EVENTS

During the summer months, you are almost as likely to find us out interacting in the community as you are to find us behind the teller line at the bank.

We are loyal sponsors of annual craft fairs, parades, and 5K runs in our community.

Where you might have seen us in 2022 - and where you will most likely find us again in 2023:



- Isanti's Rodeo & Jubilee Days
- Ramsey Happy Days Festival
- Wayzata's James J. Hill Days
- MN Latinos' Taco & Margarita 5K
- Eden Prairie's Brewfest
- Shaver Shuffle 5K
- Wayzata Yacht Club's Windward Festival
- Blueliners Golf Tournament
- Anoka Riverfest & Craft Fair



## FINANCIAL SUMMARY

**\$32.4 M**

Tier 1 Capital + Reserves

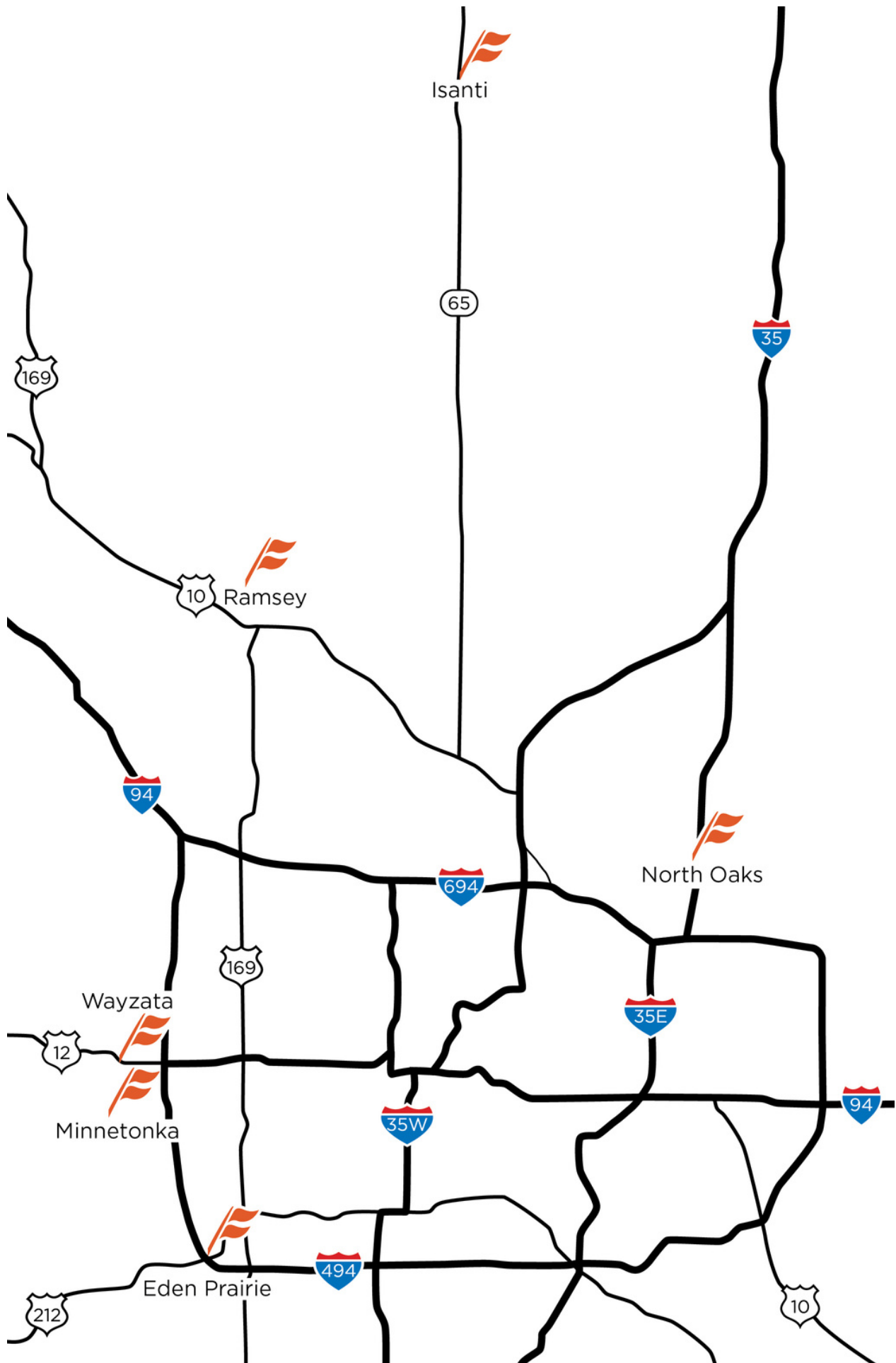
**9.34%**

Tier 1 Capital Ratio

**17.65%**

Loan Growth Since 2020

ASSETS	2020	2021	2022
Cash and Cash Equivalents	\$ 33,316,841	\$ 57,940,279	\$ 7,424,368
Investments	20,397,374	12,977,277	21,761,024
Net Loan	226,285,278	243,921,484	266,217,232
Fixed Assets	7,092,951	6,735,027	6,459,064
Other Assets	4,546,087	4,174,290	3,935,509
<b>Total Assets</b>	<b>\$291,638,532</b>	<b>\$325,748,358</b>	<b>\$305,797,197</b>
LIABILITIES & CAPITAL	2020	2021	2022
Deposits	\$256,709,624	\$292,057,694	\$ 276,234,436
Borrowed Funds	8,000,000	-	-
Other Liabilities	352,738	3,348,687	290,609
<b>Total Liabilities</b>	<b>\$265,062,362</b>	<b>\$295,406,381</b>	<b>\$276,525,045</b>
Capital	\$26,576,170	\$30,341,977	\$29,272,151
<b>Total Liabilities &amp; Capital</b>	<b>\$ 291,638,532</b>	<b>\$325,748,358</b>	<b>\$ 305,797,197</b>
INCOME & EXPENSES	2020	2021	2022
Net Interest Income	\$ 11,257,364	\$ 11,421,540	\$ 10,945,224
Noninterest Income	916,097	1,594,601	2,133,921
<b>Total Revenue</b>	<b>\$ 12,173,460</b>	<b>\$ 13,074,287</b>	<b>\$ 13,079,145</b>
Provision for Loan Loss	875,000	250,000	150,000
Occupancy Expenses	1,029,654	1,053,520	1,154,196
Personnel Expenses	4,038,956	4,460,724	4,926,307
Other Expenses	1,696,409	1,665,901	1,685,798
<b>Income Before Income Taxes</b>	<b>\$ 4,533,441</b>	<b>\$ 5,664,142</b>	<b>\$ 5,162,844</b>
Income Taxes	1,317,601	1,715,692	926,555
<b>NET INCOME</b>	<b>\$ 3,215,839</b>	<b>\$ 3,928,450</b>	<b>\$ 4,236,289</b>
FINANCIAL RATIO	2020	2021	2022
Pre-tax Return on Average Assets	1.62%	1.75%	1.59%
Pre-tax Return on Average Equity	17.75%	19.92%	17.03%
Efficiency Ratio	54.94%	54.50%	59.00%
Net Charge-offs as a % of Average Loans	-0.03%	0.00%	-0.05%
Nonperforming Assets as a % of Total Assets	0.06%	0.01%	0.01%



## BOARD OF DIRECTORS

Gale Hoese - CEO | Security Bancshares Co.

Dave Schornack - Director of Business Development and Sales |  
Arvig Communication Systems

Binh Le - Private Investor / Entrepreneur | Lake Wine & Spirits

Andy Schornack - CEO | Flagship Bank Minnesota

Brian Wagner - President | Flagship Bank Minnesota

## SENIOR MANAGEMENT TEAM

Andy Schornack - CEO

Brian Wagner - President

Jackie Herman - COO

## CORPORATE OFFICERS

Julie Schornstein - EVP Customer Operations

Don Kleinschmidt - EVP Business Banking

Lynn Rhodes - EVP Risk Management

Ken Munroe - Senior VP Business Banking

Terry Ottinger - Senior VP Retail Banking Officer

Tom Kleinschmidt - Senior VP Business Banking

Jeremy Hoese - VP Business Banking

Joe Schornack - VP Business Banking

Athina Thornton - VP BSA/AML/OFAC Officer

Jillian Johnson - VP Business Banking / Cash Management

Mitch Steckler - VP Accounting Officer

Ben Haselhorst - VP Credit Manager

Samantha Vine - VP Compliance Officer

Lisa Domogalla - Assistant VP Loan Operations

Kellie Oestrich - SAFE Act Officer



**FLAGSHIPBANK**

[www.flagshipbanks.com](http://www.flagshipbanks.com)



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