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IN

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News, Analysis and Perspective for Community Banks by the **First Bankers' Bank**

Vol. 27 Issue 2, 2010



Bill Rosacker

A Note
from the
President

United Bankers' Bancorporation, Inc. Holds Annual Meeting

The annual shareholders meeting of United Bankers' Bancorporation, Inc. (UBBI) was held April 21, 2010.

As United Bankers' Bank enters its busy season with conventions, seminars, and golf outings, I hope that we see many of you this summer. Whether at events hosted by UBB or events where we are attending and exhibiting, it is always nice to connect with you on a personal, face-to-face level.

This issue features our annual meeting announcement and highlights the election of two new board members. Jim Nowak and Ben Eskierka held their annual ALMEdge Conference, look inside for the highlights of that event. Also inside, Mary Deziel, our USource manager, offers perspective on the new health care bill. Our ID TheftSmart product, powered by Kroll, Inc., continues to grow and attract interest across our market, please take a look and consider offering the product to your bank customers. Also, look for information on upcoming events hosted by UBB.

As always, please call us if you have any questions about our products and services. If you have suggestions or concerns, or if you simply want to tell us how you think we are doing. We welcome any feedback. We truly want to be **First For Your Success!**

"Despite difficult market conditions, UBBI and its wholly owned subsidiary, United Bankers' Bank, performed well in 2009. UBBI net income was still strong at \$1.46 million. Our traditional balance of interest and non-interest income is one of UBBI's critical strategic advantages. Total assets were \$540 million," commented UBBI President, William C. Rosacker.

Newly elected UBBI Board Chairman James A. Espeland, The First National Bank of Henning (Henning, MN) commented, "I'm honored to serve as the next Chairman of UBBI and UBB. As UBBI and United Bankers' Bank have solidified their commitment to be **First for Your Success**, we will continue to look for opportunities to provide new services, while continuing to provide top-notch service to existing customers and shareholders."

Dennis P. Hartman, President of First State Bank of Okabena, Inc. (Okabena, MN) was elected Vice-Chairman. Two new UBBI board members were also elected at the Annual Meeting. Joining the board are Lonnie E. Clark, President of The State Bank of Chandler (Chandler, MN) and James D. Lytle, President of Farmers State Bank of Sherburn (Sherburn, MN).

Retiring from the UBBI board of directors after 6 years of service is Kurt G. Sundquist, President of The Northern State Bank of Virginia (Virginia, MN). "Kurt has been an outstanding director. He is passionately committed to community banking and we will miss his commitment, advice and leadership on our board," stated Rosacker.

United Bankers' Bank Introduces New Vice President, Correspondent Banking Officer and Lender

We are pleased to announce that Pat Burnette – prominent Michigan banker with more than 23 years experience in commercial credit and lending– has joined UBB. Burnette will office in South Lyon, Michigan and serve bankers throughout Michigan as Vice President Correspondent Banking and Lender.

“This is a great fit for community banks in our region and comes at an opportune time for the market,” said Burnette. “My background in lending and commercial credit means I understand the reliance that is placed on the community banker as a backbone of community support and community development. At the same time, I am excited to bring those same bankers UBB’s impressive suite of correspondent products and services to help improve their performance and help ensure their independence,” he said.

The Michigan market was previously served by Jay Syverson who also serves community bank customers in Northern Minnesota. The addition of Burnette places a dedicated representative in the Michigan market, whose sole focus will be developing correspondent service and lending relationships in Michigan.

“Jay did a tremendous job laying the ground work for our entrance into the Michigan market. Now with the addition of Pat to our team, the bankers in Michigan will benefit from a dedicated individual headquartered in their market,” commented William C. Rosacker, President and CEO of UBB. “Throughout his distinguished career he has demonstrated a passion for community banking and top notch service. We are delighted to have someone on board in Michigan that syncs so perfectly with the **First for Your Success** values of United Bankers’ Bank,” he said.

Burnette’s banking career started right after graduation from Eastern Michigan University, where he received his Bachelors degree in Accounting and a Masters degree in Finance. Burnette’s most recent experience came as Vice President and Senior Lender at Huron Valley State Bank in Milford, Michigan. He is also a 2009 graduate of the Graduate School of Banking held in Madison, Wisconsin.

Burnette, who was born and raised in Michigan, now makes his home in South Lyon. He has a wife and two children. His hobbies include golf and coaching.



EXTRA! EXTRA! READ ALL ABOUT IT

Peoples Savings Bank in Indianola, Iowa, an ID TheftSmart customer recently put up a billboard ad to reach their customers about the program.

"At Peoples Bank, our first priority is customer service. We want to provide the best products and services to help our customers be successful. With the ID TheftSmart product, our goal is to educate every customer about the hazards of Identity Theft and offer them the best solution, should they ever be a victim of identity theft. This product allows our customers to be informed and educated as well as offering peace of mind in the event their identity has been compromised. Peoples Bank is proud to offer this easy, affordable peace of mind to the customers we serve."

- Ms. Carol Seeger
Marketing Officer
Peoples Savings Bank
Indianola, IA

ID TheftSmart Interest Keeps Climbing

Since the start of the Kroll, Inc., and United Bankers' Bank partnership over a year and half ago, the ID TheftSmart product has seen remarkable growth. ID TheftSmart offers ID Theft protection and Credit Monitoring to consumers through their community banks. This program is available to banks for a low monthly fee. UBB has a total of 22 banks already offering the program with over 2,000 participants.

Ideally a customer will never have to use the service, as identity theft is never a pleasant experience. In the unfortunate event of identity theft, ID TheftSmart gives the bank customer peace of mind knowing they are protected and have an advocate and expert advice in Kroll. The programs are designed to help ease the burden for the bank customers. When an identity is stolen, a highly trained Kroll investigator works with you to restore your credit back to pre-identity takeover.

The Credit Monitoring service allows consumers to identify inaccuracies in credit data being reported by creditors. It also offers consumers early detection of potentially fraudulent activity in their credit file. In addition, consumers have access to trained credit specialists to answer any data questions over the phone on their monitoring report. The credit specialists act on the behalf of the consumers and can submit disputes to credit reporting agencies. Single bureau credit monitoring can save valued time and the frustration that can follow.

To learn more about Kroll, Inc., or for additional information please contact, Tim Henry UBA Managing Agent at 800-752-8140 or email him at tim.henry@ubb.com.

Balance Sheet (000's)

Assets:

Cash and Due from Banks	\$ 193,123
Investments	\$ 79,800
Fed Funds Sold & Securities Purchased Under Agreement to Resell	\$ 14,172
Loans	
Outstanding	\$ 321,150
Loss Reserve	\$ (8,400)
Other Assets	\$ 20,685
TOTAL ASSETS	\$ 620,530

Liabilities and Capital:

Deposits	\$ 559,602
Fed Funds Purchased	\$ 12,627
Other Liabilities	\$ 3,639
Equity Capital	\$ 44,662
TOTAL LIABILITIES & CAPITAL	\$ 620,530

INCOME STATEMENT (YTD)

Interest Income	\$ 4,880
Interest Expense	\$ 3
Net Interest Income	\$ 4,877
Loss Provision	\$ 1,225
Net Interest Income (After Provision)	\$ 3,652
Other Income	\$ 3,713
Total Income	\$ 7,365
Operating Expenses	\$ 5,873
Securities Gains (Losses)	\$ -
Net Income Before Taxes	\$ 1,492
Tax	\$ 596
NET INCOME	\$ 896

innovator
 Team Member
 excellent

ProactiveCaringRemarkable
Relationship
 Non-Competing Partner

Consistentsolid
Professional
 Technological personable

Integritycrucial
Dependable

SharedValuesethical
knowledgeable

Valuableintelligent
Expertise

analyticalconcise
Trustreliable
 preparednesshelpfulwonderful

Responsive

Words We Live By.

At UBB – the nation's **first** bankers' bank – your **success** is our corporate DNA. It's our guarantee of exceptional customer service, product innovation and professional integrity.

Visit us at the *new* UBB.com





Whistling Past the FDIC

United Bankers' Bank hosted its annual ALMEdge User Conference on April 9, 2010. This year's one day conference was held at the Embassy Suites in Bloomington, Minnesota. With over 150 registered attendees from the Midwest, it was the highest attended conference in the 6 years since its debut. The morning presentation titled, "Whistling Past the FDIC", was presented by Jim Nowak, Assistant Vice President Risk Management. It explored many asset liability related issues, including:

- So This A/L Stuff is Useful?
- The Anatomy of a Failed Institution Through the ALMEdge View
- The Economy: Partly Cloudy or Mostly Sunny

"This conference is always well attended but with the passing of new regulations and the state of the economy, bankers have an urgency to know more. This conference shows them how to position themselves now and for the future. The ALM models explain why this is necessary which is backed up by the charts and graphs that are presented," stated Charles Hokans, Senior Vice President and Chief Marketing Officer.

Ben Eskierka, Senior Vice President of UBB Securities finished the day by presenting "Basis Points". In his presentation he focused on the future interest rate environment and managing banks' investment portfolios.

Topics covered, included:

- Bank Risk Profiles
- The Yield Curve and its implications
- The Fed's Exit Strategy
- Interest Rate Swaps
- Sub "S" accounting update
- Investment themes for 2010

We would like to thank everyone for coming to 2010 ALMEdge User Conference and we hope to see you next year!



Health Care Reform

By Mary Deziel, Program Director of USource HR Management

It's probably an understatement to say that the health care reform law has created some anxiety and confusion among many community bankers. Certainly the changes can be overwhelming, but looking at the changes year-by-year and using your health insurance carriers, brokers, payroll companies and UBB's USource HR Management Program to assist in implementing the changes will lessen the anxiety.

The good news in 2010 is that some community banks with less than 25 employees and average salaries of less than \$50,000 may be eligible for a federal tax credit to offset up to 35% of health insurance costs if they contribute at least 50% of the total health insurance cost for their employees. This credit is available through 2013. In addition, the Department of Health and Human Services has \$200 million available to provide grants to help companies with fewer than 100 employees start new programs on nutrition, smoking cessation, physical fitness, and stress management. Requiring chain restaurants to disclose the calorie counts of items on their menus will also help us achieve our wellness goals.

Employers must provide dependent coverage for adult children up to age 26, regardless of if they are in school. This may not be a new requirement for some banks. Many states, including Minnesota, have required this coverage for several years. Actually, it will make it easier administratively if the definition of dependent is the same under both federal and state tax laws.

Banks with at least 50 employees are now required to provide breaks for nursing mothers up to one year after birth in a private place, preferably not a bathroom. However, these breaks do not have to be paid if longer than twenty minutes.

The CLASS Act (Community Living Assistance Services and Supports Act) mandates a voluntary, federal long-term care program for employees effective January 1, 2011. This creates a voluntary national social insurance program providing limited long-term care coverage through the workplace for employees. While the effective date of this act is next January 1st, employers cannot participate until the Health and Human Services Secretary publishes a final regulation designating the final plan design; that deadline is October 1, 2012.

In 2012, banks will be required to provide the cost of employee's health insurance coverage on the employee's annual W-2. The forms distributed in January 2012 should reflect the cost of coverage provided in 2011. The amount reflected will be the COBRA rate for your bank less any 2% administrative charge if you added them when setting your original COBRA rates for health insurance. Expect more guidance from the IRS or your payroll company on where to put this amount on the W-2.

Another change for 2011...over-the-counter drugs will be excluded from flexible spending accounts, health reimbursement arrangements and health savings accounts unless prescribed by a doctor. It is important that banks communicate this to their employees during open enrollment and change the plan documents. The tax penalty will be increased from 10% to 20% on health savings accounts for non-medical distributions.

The reform has implemented some required plan design changes you should be aware of in 2011. These include providing 100% coverage of preventative care including free immunizations, no lifetime or annual dollar limits on essential benefits and no exclusion of children under age 19 due to any pre-existing condition. The definition of "essential benefits" still needs to be determined by the department of Health and Human Services. Your carrier should provide you with plans that meet the new requirements.

In 2012, you will need to provide a summary of benefits to every enrollee in your health plan. It can be no more than four pages in length, and it must be culturally and linguistically appropriate. Since current Summary Plan Descriptions (SPDs) are considerable longer than four pages, they will not satisfy this requirement. Generally, your broker should provide you with this document to distribute to your employees. There is a \$1,000 fine per enrollee for failure to provide this.

There are many changes on the books for 2013 and 2014 in plan design, penalizing some individuals if they do not have coverage, and fining some employers who do not provide adequate coverage. Thankfully, these changes are a few years out as we have enough to do the next few years!

We will receive more guidance over the next several years from numerous government agencies regarding specifics of the health care bill. You can be assured that members of the USource program will be informed of impending changes by the USource team.

UBB • USource®

Mary Deziel is the Program Director of UBB's USource HR Management Program for community banks. For more information regarding USource, e-mail them at usource@ubb.com or call at 866-394-1984.



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If you have questions about our
products and services, please call
us at 1-800-752-8140.

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Mark Your Calendar

Iowa Golf Classic

Tuesday, August 24, 2010
Tournament Club of Iowa, Polk City, IA

Nebraska Golf Classic

Thursday, August 26, 2010
Shadow Ridge Golf Course, Omaha, NE

North Dakota/

Northern Minnesota Golf Classic

Tuesday, August 31, 2010
Edgewood Golf Course,
Fargo, ND



UBB Fall Seminar

Monday, September 20, 2010
Traxler's Hunting Preserve,
LeCenter, MN

South Dakota Shoot

Monday, September 27, 2010
Hunters Point Shooting Club,
Humboldt, SD



Watch the mail for more information.
We hope to see you there!