

35 Years
Strong
Together



Financial Highlights			
For Years Ended December 31			
	2010	2009	% Change
Consolidated:			
Net Income	\$ 840,396	\$ 1,459,567	(42.42%)
Return on Average Equity	1.86%	3.34%	(44.31%)
Return on Average Assets	0.14%	0.26%	(46.15%)
Total Assets	\$ 643,454,680	\$ 539,843,154	19.19%
Loans	\$ 273,370,519	\$ 319,307,711	(14.39%)
Total Liabilities	\$ 600,581,532	\$ 494,655,238	21.41%
Total Stockholders' Equity	\$ 42,873,148	\$ 45,187,916	(5.12%)
Agent Federal Funds	\$ 420,000,000	\$ 721,323,000	(41.77%)
Common Stock Outstanding	40,488	40,488	0.00%
Consolidated Per Share Data:			
Weighted Earnings	\$ 20.76	\$ 36.05	(42.41%)
Book Value	\$ 1,058.91	\$ 1,116.08	(5.12%)
Dividends Declared	\$ -	\$ 2.50	(100.00%)
United Bankers' Bank:			
Leverage Ratio	6.94%	6.60%	5.15%
Tier 1 Risk Based Capital Ratio	13.45%	12.23%	9.98%
Total Risk Based Capital Ratio	14.73%	13.49%	9.19%



Dear Shareholders:

Thank you for your continued commitment to United Bankers' Bancorporation, Inc. (UBBI) and United Bankers' Bank (UBB) in 2010. We celebrated our 35th anniversary this year and while we continue to serve the original mission of those visionary bankers who founded UBB, we have continually sought to elevate the mission entrusted to us and expand not only our product offering, but also the territory we serve.

We all know that our industry is changing, as is the regulatory structure under which we operate. With those changes, come new experiences. There are new ideas generated, new challenges solved, new services offered, new markets explored, new customers welcomed, and new shareholders that continue to put their confidence in us. For all of these, we are exceedingly grateful. It means we remain a trusted ally for our community bank partners.

To that end, we recommit ourselves to knowing and understanding you, our valued shareholders and customers. We will do our best to remain forward thinking, to constantly explore new technologies and product offerings which will help give you a competitive edge in our industry.

Please accept our sincere gratitude for the trust you continue to place in us. You have our pledge that we will continue to work to earn that trust every day.

Sincerely,

James A. Espeland
Chairman

William C. Rosacker
President



Our Future Strong Together

By William C. Rosacker,
President & CEO



It is tempting to reflect only on the past as we commemorate the 35th anniversary of United Bankers' Bank (UBB). However, as the nation's first bankers' bank, our focus has always been on the future of community banking and what we can accomplish working together. To that end, I'm reminded of a famous quote from the ruggedly independent Theodore Roosevelt, our 26th president:


The welfare of each of us is dependent fundamentally upon the welfare of all of us.

Roosevelt recognized that the success of a young nation in a rapidly changing world required the talents of all Americans and, in particular, the strength of character and values embodied in our rural communities, small towns and neighborhoods. Community bankers are community bankers because they cherish those same values, and have dedicated themselves professionally and personally to protecting a very special way of life.

So rather than a dry recital of our financial performance in 2010, we will focus instead in this annual report on what we believe a spry, 35-year-old UBB means to our customers, and the role we hope to play in the future of community banking.



Banking with the Enemy



Our founders started UBB because they were tired of “banking with the enemy,” the phrase they used to describe the major systems banks that handled most of their correspondent business. Fiercely independent, they wouldn’t back down when many in the industry said they were crazy to start an entirely new banking entity. They were particularly concerned that the growing concentration of banking resources in this country threatened community banking, and by extension, all that they held dear about their communities.

Of course the idea of a safe harbor was only the start. Building a dynamic new organization with the products and resources necessary to make this dream a reality was the real hurdle. And this gets us right back to Roosevelt. These pioneering bankers were able to show their brethren that their fates were intertwined, and that the best way to protect their interests was to support this new “bankers’ bank” entity. In other words, “our future strong together.”

When I ask today’s generation of community bankers what they value most about UBB, their answers echo these same lofty aspirations. You offer us the products and services we need to be competitive, they say, but you don’t compete for our customers. They appreciate that UBB is always in their corner regardless of which way the economic winds are blowing. And most poignantly, many cite the unchecked growth of our nation’s largest financial institutions as a major factor in the recent collapse of our economy and the damage caused to their customers and neighbors, their friends and family, and their communities.

Let me share with you these thoughts from bankers in their own words.

Third-Generation Bankers Reflect on UBB at 35

Looking to the Future

“The long and the short of it, I’m always looking to the future. We’re thinking about what we need to start working on now, so five, ten, even twenty years down the line we have jobs and amenities for young people who want to stay here and raise their families.

“UBB starts from this mindset and has delivered for us time and time again. A strong UBB is a big part of our strategy for the future, and I believe a strong UBB will make all of us in community banking stronger.”

– Dick Behl, President,
The Farmers and Merchant
State Bank, Scotland, SD

Unwavering Commitment

“UBB’s core philosophies never change. First, I know I don’t have to worry about them competing with me for my customers, ever! Second, they stay focused on the correspondent needs of community banks, period. Others seem to be in it big one minute and out of it the next, depending on a change in market conditions or a new business strategy or whatever.

“I guess I just value the fact that if UBB commits to something, you know they’re going to do it!”

– Greg Traxler, President,
The First National Bank
Le Center, MN

Protecting a Legacy

“I see the challenges we face now as similar to what my grandfather survived during the depression, and what my father survived during the farm crisis. Now I, too, must successfully guide the bank through the aftermath of this recent recession.

“Just as my grandfather gave my father a chance, and my father gave me a chance, I want to give my children a chance to stay in community banking. That’s why I value UBB. We’re going to need them to survive in this new environment.”

– Brian Nicklason,
President,
Woodland Bank, Remer, MN



Challenges, Opportunities Ahead



Most of our community bank customers survived the “Great Recession” because they, too, stuck to the principles of community banking that are as old as the nation itself: service, investment and leadership. Yet, the challenges ahead are no less daunting than those we’ve just faced.

Some economists are predicting an “uneven recovery” with lingering problems in the housing market and unusually high unemployment rates likely for most of 2011 and perhaps beyond. Also factor in new legislation that has triggered what some are calling an “avalanche of regulations.”

Competitive and operational pressures continue to grow exponentially as well, evolving from both the “brick and mortar” of the past to “bits and bytes” today. While a regional bank, a credit union or another community bank

might still compete down the street, now just about everybody else offers bank-like services, including the local elevator, the insurance agent, the nearby big-box store, even the town grocery. For more options, discerning customers can easily shop for all of the traditional banking products with an Internet connection and the click of a mouse.

Meanwhile, a community bank’s business customers must also grow and streamline operations to survive, thus putting pressure on the bank to do the same. Not surprisingly, the number of banks in the United States continues to fall – from 14,000 in 1992 to under 8,000 today to under 6,000 in 2014 by some predictions – as many consolidate to stay viable. Without ever-greater operational efficiencies and a robust portfolio of products and services, community banks will struggle to deliver on the values of service and local leadership that have always set them apart.



Leveling the Competitive Playing Field



Clearly, very few community banks can go it alone in this “New World” of economic, regulatory, operational and competitive challenges. And just as originally envisioned, that’s where we come in! UBB’s strategic plan is grounded on providing community banks with a full spectrum of traditional and emerging correspondent services, thereby leveling the competitive playing field and positioning bankers to seize opportunity.

To keep this promise, we continue leveraging all of our financial resources and intellectual capital to help community bankers control costs, diversify their loan portfolios, achieve a reasonable margin and create a stream of non-interest income. Here is an overview of our current product and service portfolio:

UBB Operations

combines the latest backroom technologies with legendary customer service to help bankers keep pace with the constant demand for greater efficiencies. Case in point is UNETexchange, the regional image exchange network that has cut overhead costs for hundreds of community banks.

UBB Lending

is a steady partner to community banks, always there to help you enhance relationships with your customers and improve your bottom line with participations, originations and bank stock loans.

UBB Securities

built its comprehensive government, municipal bond and brokerage service by putting customer objectives and asset-liability priorities first, rather than the “make-a-quick-sale” mentality common to many brokerage firms.

UBB Special Services

are the result of a constant search for value-enhancing new products, services and relationships. These include: BankValue™, Advisory Services, UBB Bank Cards, UTrust®, UBA Insurance and USource® Human Resources Management.



Staying
the Course,
Shoulder
to Shoulder



So I'll finish this retrospective where I began. Our vision today is the same as it was 35 years ago: create a shared future of success by being *Strong Together* just as we did in 1975, when the first bankers' bank was founded in response to extraordinary challenges.

Certainly UBB will need to evolve as well to hold up its end of the bargain. I like to say we started out in a "one-room house" with a "small family" (a one-state territory and a few dozen customers) 35 years ago, and now live in a big house serving a very large family (a 13-state territory with more than 800 customers). I predict we will continue to grow and, in 10 years, exceed \$1 billion in assets. Our governance at the board level and internally will be stronger, and our enterprise risk management will be broader and deeper. We'll also continue to listen carefully to our customers, ever alert for opportunities to add value with new products and technologies like UNET and UNETexchange.

But I can promise you that growth will not come at the expense of our core principles and *First for Your Success* customer service. This pledge starts with our current board of directors, who, like each board before it, lives the philosophies of the founding directors. As bankers themselves, our board members know the challenges you and your communities face, and they know we will all have to work together to survive. That same sense of shared purpose and dedication also drives our executive team, collectively one of the most experienced bankers' bank management lineups in the country. And you can count on the steadfast support of our highly knowledgeable, always professional and exceptionally loyal employees.

Let me conclude, then, by paraphrasing another famous quote from "Rough Rider" Roosevelt. Here at UBB, we see a great future for community banks and the communities they work so hard to protect. But like Teddy, we suggest you "walk softly" and navigate carefully through all the difficult challenges ahead, and remember to always "carry a big stick" – your correspondent partner United Bankers' Bank.

Consolidated Balance Sheets

Five Year Summary of Selected Financial Data as of December 31

	2010	2009	2008	2007	2006
Assets					
Cash and Due From Banks	\$ 57,615,312	\$ 78,956,867	\$ 157,557,503	\$ 15,338,620	\$ 63,891,698
Available-for-sale Securities	257,836,475	70,017,889	2,167,531	11,803,515	34,408,631
Federal Funds Sold & Securities Purchased Under Agreements to Resell	34,890,000	57,994,000	105,562,000	74,010,000	32,210,000
Loans	273,370,519	319,307,711	313,779,672	237,391,904	215,055,350
Allowance for Loan Losses	(11,289,042)	(7,333,319)	(4,723,663)	(2,961,792)	(2,567,801)
Trading Account Securities	143,912	2,243,911	999,000	1,587,502	2,872,225
Other Assets	30,887,504	18,656,095	12,803,266	11,202,137	9,531,826
Total Assets	\$ 643,454,680	\$ 539,843,154	\$ 588,145,309	\$ 348,371,886	\$ 355,401,929
Liabilities & Stockholders' Equity					
Deposits:					
Non-interest-bearing Demand Deposits	\$ 442,647,372	\$ 487,773,533	\$ 328,802,591	\$ 145,262,896	\$ 176,338,747
Interest-bearing Time Deposits	-	-	119,743,000	-	57,211,000
Federal Funds Purchased	151,370,000	3,422,000	91,517,000	156,724,000	78,424,000
Other Liabilities	6,564,160	3,459,705	3,216,221	3,700,500	3,101,947
Stockholders' Equity	42,873,148	45,187,916	44,866,497	42,684,490	40,326,235
Total Liabilities and Stockholders' Equity	\$ 643,454,680	\$ 539,843,154	\$ 588,145,309	\$ 348,371,886	\$ 355,401,929
Loan Participations Sold	\$ 163,167,074	\$ 189,043,778	\$ 185,516,601	\$ 156,114,787	\$ 147,300,463
Agent Federal Funds (Average)	\$ 703,000,000	\$ 723,000,000	\$ 584,000,000	\$ 639,000,000	\$ 456,000,000
Common Stock Outstanding	40,488	40,488	40,488	41,351	41,212

Consolidated Statements of Income

Five Year Summary of Selected Financial Data for Years Ended December 31

	2010	2009	2008	2007	2006
Interest Income:					
Loans, including fees	\$ 17,033,434	\$ 17,968,724	\$ 16,747,512	\$ 17,847,018	\$ 15,256,672
Securities/Other	3,214,934	735,600	514,453	974,472	1,640,701
Federal Funds Sold & Securities Purchased Under Agreements to Resell	268,958	619,097	2,741,958	2,250,954	2,865,968
	<u>20,517,326</u>	<u>19,323,421</u>	<u>20,003,923</u>	<u>21,072,444</u>	<u>19,763,341</u>
Interest Expense:					
Time Deposits	-	1,576,729	1,008,404	1,630,273	2,385,568
Federal Funds Purchased/Other	66,242	36,379	2,905,171	5,262,938	4,890,764
	<u>66,242</u>	<u>1,613,108</u>	<u>3,913,575</u>	<u>6,893,211</u>	<u>7,276,332</u>
Net Interest Income	20,451,084	17,710,313	16,090,348	14,179,233	12,487,009
Provision for Loan Losses	11,908,300	5,562,500	3,001,000	1,250,000	450,000
Non-interest Income:					
Service Charges	6,927,216	4,958,395	6,544,743	5,911,344	5,281,647
Trading Commissions	7,248,377	5,279,360	4,045,803	2,501,517	1,911,808
Other	2,850,609	3,144,388	4,748,743	3,714,109	3,646,397
	<u>17,026,202</u>	<u>13,382,143</u>	<u>15,339,289</u>	<u>12,126,970</u>	<u>10,839,852</u>
Non-interest Expense:					
Salaries & Employee Benefits	10,385,641	9,267,998	8,427,753	7,230,931	6,463,190
Federal Reserve Service Charges	3,228,379	3,830,661	5,204,987	6,681,068	6,719,252
Occupancy	2,091,520	1,856,050	1,562,509	1,463,913	658,659
Data Processing Expenses	2,661,981	2,770,490	2,436,819	1,755,868	1,302,159
FDIC Insurance	1,772,195	1,336,615	205,014	53,882	30,947
Other	4,123,587	3,980,731	3,748,771	3,001,149	3,549,459
	<u>24,263,303</u>	<u>23,042,545</u>	<u>21,585,853</u>	<u>20,186,811</u>	<u>18,723,666</u>
Net Income Before Tax	1,305,683	2,487,411	6,842,784	4,869,392	4,153,195
Provision for Income Taxes	465,287	1,027,844	2,805,998	1,996,689	1,685,597
Net Income	\$ 840,396	\$ 1,459,567	\$ 4,036,786	\$ 2,872,703	\$ 2,467,598



BOARD OF DIRECTORS

Back Row, Left to Right:

James D. Lytle
Farmers State Bank of Sherburn,
Sherburn

William C. Rosacker
United Bankers' Bank,
Bloomington

James A. Espeland
First National Bank of Henning,
Henning, Chairman

Larry J. Deutsch
The Buffalo Ridge Bank,
Beardsley

Seated, Left to Right:

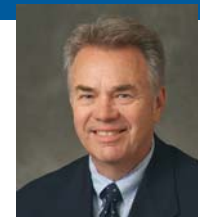
Dennis P. Hartman
First State Bank of Okabena, Inc.,
Okabena, Vice Chairman

Lonnie E. Clark
State Bank of Chandler,
Chandler

Mission Statement

Provide the resources enabling community financial institutions to evolve and remain community based while building enhanced shareholder value and providing a rewarding workplace for employees.

Wayne A. Finnern
Farmers State
Bank of Madelia,
Madelia



BOARD OF DIRECTORS

James A. Espeland
First National Bank
of Henning, Henning
Chairman

Dennis P. Hartman
First State Bank
of Okabena, Inc., Okabena
Vice Chairman

Larry J. Deutsch
The Buffalo Ridge Bank,
Beardsley

Wayne A. Finnern
Farmers State Bank
of Madelia, Madelia

Lonnie E. Clark
State Bank
of Chandler, Chandler

James D. Lytle
Farmers State Bank
of Sherburn, Sherburn

William C. Rosacker
United Bankers' Bank,
Bloomington

Officers of UBBI

William C. Rosacker
President

Charles C. Hokans
Vice President/Secretary

Karen G. Knafla
Treasurer

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Senior Vice President/
Chief Credit Officer

Conrad M. Newburgh
Vice President/Senior Credit Officer

Jamie D. Dosdall
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Anthony M. Girard
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Marketing
Charles C. Hokans
Senior Vice President/
Chief Marketing Officer

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Timothy P. Henry
Agency Managing Agent

Information Technology
Thomas J. Kelly
Vice President

UBB Securities
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Senior Vice President/
Chief Investment Officer

Reuben D. Chapman
Investment Operations Manager

Brian J. Clark
Investment Officer

Paul G. Dvorak
Vice President

Joseph G. Gilboe
Investment Officer

Gerald B. Hamlin
VP Investment Services

David G. Kvist
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Assistant Vice President

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Senior Vice President/
Chief Financial Officer

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