Goal of New UBB.com Is to NOT Look Like Just Another Bankers’ Bank Website

Visit the New UBB.com for a Chance to Win an Apple Watch!

Redesigning a bank website is a big challenge. Redesigning a bank website so that it is truly unique to the industry, differentiates your bank from the competition AND faithfully translates your brand promise online is a monumental challenge. But that is exactly what we asked the marketing team at United Bankers’ Bank to do in revamping UBB.com, which went live in January.

“It might sound ambitious for a bank website, but we truly...”

Bill Rosacker

A Note from the President

2016 is officially upon us and United Bankers’ Bank has wasted no time in ringing in the New Year with the launch of our innovative and completely redesigned website, UBB.com. The new UBB.com will provide visitors with faster page navigation, direct access to UBB sales and customer service contact information, and a customized user experience, among many other new features, which are detailed in our cover story.

In this newsletter, you’ll also find an insightful article on what to expect with the Consumer Finance Protection Bureau’s newest Reg Z regulations coming this year, as well as an intriguing summary of some of the megatrends that will be affecting community banking in 2016.

Throughout our travels to community banks across UBB’s 12 state service territory our employees witness firsthand the important roles our community bank customers and their employees serve in ensuring their communities continue to thrive and their residents have a great place to call home. In this newsletter we’re introducing a new feature, titled “Keeping the Community in Community Banking,” located on page 6, where we spotlight a community bank along with its community and learn more about the important bond they share between one another. Sundance State Bank located in the picturesque Northeastern city of Sundance, Wyoming was selected as our first featured bank. We want to hear about the great things your bank is doing in the community. To nominate your bank for this feature, please email caitie.welding@ubb.com for more information.

Lastly, we’re currently in the process of planning all of our UBB hosted regional events, as well as our ALMEdge Users’ Conference, which will be held on Friday, April 8th in Bloomington, MN. We look forward to seeing many of you at our events this year and encourage you to stay up-to-date with the News and Events calendar located on our website as event dates and information become available.

In closing, we want to wish you all a happy and prosperous New Year and remember, UBB is always First for Your Success.
wanted to create a visitor experience at UBB.com that builds new relationships while strengthening the bonds we have with our existing customers,” said John Peterson, UBB’s executive vice president and chief marketing officer. “We wanted it to be a direct reflection of the culture here where everything we do is about our customers and their success.”

A feeling of welcome starts the second you hit the new UBB.com home page. Visitors are greeted by gorgeous photography that highlights each of the diverse regions we serve, including the Pacific Northwest, the Great Plains, the Midwest and the Great Lakes.

Distinctively-designed icons and dropdown menus provide one-click access to nearly every page on the site. And unlike some sites that make it tough to actually connect with a real person, the new UBB.com features expanded staff profiles, contact information and customer service links.

“We also created a resource library that will provide bankers with easy access to a wide range of materials published by content experts, both inside and outside the bank,” said Tyson Doke, UBB assistant vice president / marketing officer and project manager for the new website. “Visitors can filter, search and access UBB’s growing collection of product and service bulletins, industry white papers, newsletters, annual reports and a multitud of other information,” he said.

Other design best practices incorporated into the new UBB.com include:

- Responsive design that automatically configures page layout to fit any size screen resolution and device: desktop, tablet or mobile (will be rolled out early March)
- Enhanced visitor engagement through online signup for regularly-scheduled training seminars and webinars, product demonstrations and other opportunities
- Expanded “Meet the Team” section with more employee profiles, added photos and direct-connect contact information
- Tasteful callouts that put visitors in direct contact with the nearest knowledgeable calling officer for answers to new product and service questions

Visit the New UBB.com and Have a Chance to Win an Apple Watch

So enough of us trying to describe the new UBB.com here in print. Instead we’d like you to jump online right now and tell us if we hit the mark on the new design. In appreciation of your time, you can enter your name into a drawing for an Apple Watch. Here’s how it works.

First type www.ubb.com into your browser. (See, we told you it doesn’t look like your typical bankers’ bank website.) Okay, now take a few minutes to explore. Click on one of the colorful service icons and learn more about a product from UBB you didn’t know we offered. Click on the “UBB Team” button at the top of the page and connect a face with that friendly UBB banker you’ve worked with all these years. Or scroll down to take in the latest news from UBB or to register for a webinar taught by one of our industry experts. In other words, let your mouse do the walking!

“Okay, have you visited at least three pages? Great, then return to the home page and click on the NEWS & EVENTS button located in the top right hand corner of the page. Look under the News column on the left hand side of the page and click on the Read More> link under the news posting titled Visit and You Could Win an Apple Watch! When you arrive at the next screen, look for the link to our official grand prize entry form and click on it. Simply complete the form and short survey. And when we say short, we mean short. All you need to do is enter the names of three pages you visited while on UBB.com, and then rate your overall site appearance, navigation and content. Include your name and email address and then hit submit. Simple as that.

“We really wanted to have a little fun with this launch,” said Doke of the survey and prize drawing, “while learning more about how we might improve visitor experience going forward. We look forward to your feedback. Happy browsing and good luck,” he added.

The Contest Fine Print:
All community bank employees are eligible to enter the prize drawing. One entry per visitor please. No purchase is necessary. The contest entry deadline is April 1st. The prize winner will be contacted after the drawing is held on April 4th. See website for official rules.
Resolutions and Commitments
Working Through the CFPB’s Newest Regulation Challenges

It’s a New Year and with every New Year typically what follows are New Year’s resolutions. For many people, this often means a new weight loss program. Banks, however, usually choose to create their own resolutions by setting product sales or deposit and loan growth goals. This year, as in previous years, the Consumer Finance Protection Bureau (CFPB) has created their own resolution, which banks need to add to their list. In 2014, we were introduced to “qualified mortgages” and “ability to repay” requirements, and in 2015, we were introduced to our new integrated disclosures. In 2016 we have been introduced to new “small creditor” and “rural and underserved” definitions; changing the way many small community banks will be able to originate and administer in-house mortgage loans while still maintaining the qualified mortgage safe harbor.

In September 2015 the CFPB released its summary of the new definitions of “small creditor” and “rural and underserved” areas. While the changes went into effect as of January 1, 2016, a grace period has been granted to banks, which pushes implementation to April 1, 2016. To be considered a small creditor for the purpose of being able to continue producing qualified balloon mortgages you will need to meet the following criteria:

• Extend no more than 2,000 first-lien covered transactions, between the creditor and any of its affiliates.
• The 2,000 origination limit excludes any loans the creditor and its affiliates keep within their portfolios.
• Maintain an asset size below $2,060,000,000 (as of December 31, 2014) for both the creditor and affiliates. And;

• More than 50% of the loans originated must be located in a “rural or underserved” area. To be considered a rural or underserved area, the county in which the property is located must be on the CFPB’s annual rural county list or reside in a non-urban census block.

Because banks need to meet all of these criteria, there will be some that can no longer originate balloon mortgage loans as of April 1. It is a New Year’s resolution most banks obviously didn’t want, but it can easily be managed so that banks can satisfy the needs of their borrowers with a little extra effort. This resolution has banks looking at three different solutions: they can provide Adjustable Rate Mortgages (ARM’s), offer longer term fixed rate loans, or, as a last resort, they can stop offering in-house mortgage loans to borrowers who do not meet the criteria needed to qualify for a secondary market loan.

Each bank has a choice to make in order to comply with this “New Year’s resolution”. For some, the hardest path to follow will be that of providing ARM’s to your customers. However, this option is probably the most beneficial to the bank and the borrower. It adds a product similar to balloon loans, which will keep your customers satisfied as well as lowering the risk to the bank by not having more long term loans on the balance sheet. The easiest path of course is to only provide loan products that will not be kept in-house. Decide which is best for your bank and engage the help of your third-party compliance support to assist you in ensuring your disclosures are compliant and you have a smoother path forward.

For more information on Compliance Services, contact Kassia Holt at 952-886-9548 or Kassia.Holt@ubb.com.
United Bankers' Bank
Call Report (unaudited)
12/31/2015

Balance Sheet (000's)

<table>
<thead>
<tr>
<th>Assets:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and Due from Banks</td>
<td>42,408</td>
</tr>
<tr>
<td>Investments</td>
<td>229,904</td>
</tr>
<tr>
<td>Fed Funds Sold &amp; Securities</td>
<td>70,131</td>
</tr>
<tr>
<td>Purchased Under Agreement to</td>
<td></td>
</tr>
<tr>
<td>Resell</td>
<td></td>
</tr>
<tr>
<td>Loans</td>
<td></td>
</tr>
<tr>
<td>Outstanding</td>
<td>440,186</td>
</tr>
<tr>
<td>Loss Reserve</td>
<td>(6,650)</td>
</tr>
<tr>
<td>Other Assets</td>
<td>27,704</td>
</tr>
<tr>
<td>TOTAL ASSETS</td>
<td>803,683</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liabilities and Capital:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Deposits</td>
<td>668,755</td>
</tr>
<tr>
<td>Fed Funds Purchased</td>
<td>29,022</td>
</tr>
<tr>
<td>Other Liabilities</td>
<td>28,002</td>
</tr>
<tr>
<td>Equity Capital</td>
<td>77,904</td>
</tr>
<tr>
<td>TOTAL LIABILITIES &amp; CAPITAL</td>
<td>803,683</td>
</tr>
</tbody>
</table>

INCOME STATEMENT (YTD)

| Interest Income               | 20,333  |
| Interest Expense              | 2,216   |
| Net Interest Income           | 18,117  |
| Loss Provision                | (1,750) |
| Net Interest Income (After    | 19,867  |
| Provision)                    |         |
| Other Income                  | 15,612  |
| Total Income                  | 35,479  |
| Operating Expenses            | 26,596  |
| Securities Gains (Losses)     | 20      |
| Net Income Before Taxes       | 8,903   |
| Tax                           | 3,333   |
| NET INCOME                    | 5,570   |

Family Members: Wife, Kris, and two kids Jack (3) and Liam (18 months).
Pets: Oscar (12 year old yellow lab, who still loves to hunt).

Played most on iPod: 80's and 90's music.

Interests: Playing with my kids, golf, scuba diving, traveling, hunting, and watching the Minnesota Vikings and Twins.

If I could live anywhere in the world, I would live: Somewhere with warm trade winds and sandy beaches.

If I could have one super power (besides flying) it would be: Super speed like Flash Gordon… my commute would be a breeze!

Many people don’t know that I: Have completed five open water shark dives.

If I was not working in banking I would: Work in Law Enforcement.

I started working at UBB in: 2007.

My favorite part of working for UBB is: The opportunity to get out on the road and meet bankers personally and get to know them, their banks and the communities they call home.

The best advice I ever got was: The harder you work the luckier you will get.

First For Your Success means:
Without the success of our community bank partners the success of UBB would not be possible. So everything we do here at UBB is first and foremost about making community banking thrive.

Tim Henry
Vice President / UBA Managing Agent
952-886-9524  Tim.Henry@ubb.com

Employee Spotlight

Tim with his family.
Jack and Liam cheering on their favorite team.
Tim and Kris scuba diving in Belize.
If you have questions or would like more information about the USource Human Resource Management program, please email us at usource@ubb.com or call us at 866-394-1984.
Keeping the Community in Community Banking

Sundance State Bank • Sundance, WY

Venture to the Northeastern corner of Wyoming and you’ll find the picturesque city of Sundance. Nestled in the Black Hills of Wyoming, Sundance has outstanding hunting and fishing opportunities in addition to nearly 100 miles of groomed snow mobile trails not to mention access to miles and miles of uncrowded hiking, biking and horse riding trails, making this bustling city of just over 1,200 people, an outdoor enthusiast’s dream and ideal tourist destination. In addition to its tourism, Sundance is also known for its ranching industry and holds an historical claim to fame, as being the place where the outlaw Sundance Kid adopted his name and served his only jail stay.

Sundance State Bank has been serving the citizens of this great community for nearly 121 years. To learn more about the role Sundance State Bank plays in supporting its community, we visited with bank President, Jim Durfee and compiled the following Q & A.

Staff dressed up as spice girls for Halloween celebration. Annual Santa Claus day where children come in and see Santa and receive a free gift.

How is your bank involved in the community?
- We aim to complete 500 or more community hours per year as a bank.
- Many employees serve on the board of the Chamber of Commerce, the hospital, the golf course, day care centers, etc.
- We donate money to the same efforts our employees serve.
- We built a community room that organizations can reserve for meetings.

What makes community involvement important to you and your bank?
It is at the heart of small town living. If we are not here for our community, they would not be here for us. It is vital to pitch in to help one another in small communities in order to be successful.

What do you like best about being a community banker in Sundance WY?
Helping people make their dreams come true and seeing them succeed and watching our local businesses and community grow.
Megatrends Affecting Community Banking in 2016

Megatrends are the sweeping forces affecting all businesses in 2016: demographic change, rapid urbanization, and technological breakthroughs. We can see how these trends are shaping the future of the communities we live in, and how they play out in our community banks.

The shift in demographics impacts the types of products we offer, and the changing profit margins in those products. To maintain our established deposit base, we must maintain the accessibility required by our “senior” customers who may travel and set up alternate households out of our market, while still maintaining the “high touch”, in-person, delivery they may prefer. At the same time, the “millennial” customer segment is increasing. And while they still value the branch for opening up accounts and getting financial advice, they prefer online or mobile banking channels to conduct their daily financial activities.

In addition to a shift in demographics, there is a major shift towards urbanization. In many parts of the country, people are moving off the land and into urban centers for education, jobs, healthcare, etc. To attract and retain young people (who are becoming increasingly urbanized), we must offer “virtual” services that allow them to make deposits, apply for mortgages, make payments, conduct financial planning—anything they could do in their hometown community with your bank—through online or mobile channels. Community banks need to extend their “reach” to keep millennial customers and establish an “emotional” relationship with them so as not to become commoditized.

The third megatrend is technological change. We are bombarded with technological changes in our industry, especially in payments. Non-interest income (NII) represents one third of the total income at financial institutions. Payments revenue represents the largest single contributing factor to NII and is 36% of the total.* Here are some of the key trends in payments technology:

Credit card interchange generates significant income for community banks. Credit card portfolios have recovered from the charge-backs and write-offs from the “Great Recession”, and credit card purchase volume is expected to grow at 10.5% annually, according to The Nilson Report. Business credit cards are one of the main sources of credit for small businesses, which is important because small business is one of the main engines of our economy, and small business growth hinges on access to credit.

Debit cards still provide a revenue opportunity, but growth is slowing to an annual growth rate of 5.89% according to a recent payments survey of banks and credit unions by Cornerstone Advisors. This decline and the decline in revenue for debit card transactions is due to compression of debit interchange rates, making debit cards a less attractive offering for financial institutions at a time when the economy has improved and risk has diminished. However, debit cards have become a key feature of transaction accounts, and any attempt to change the availability or pricing structure of debit cards should be handled very delicately.

Prepaid reloadable access cards and gift cards have become a niche product to build non-interest income and attract some new customer segments to your bank – Gift card spending has grown from $40 billion in 2003 to over $100 billion in 2014, says the Mercator Advisory Group. According to the National Retail Federation’s Monthly Consumer Survey, gift cards have topped the list of most requested gifts for the last eight years. About one-third of all gifts purchased are gift cards.

Banks are challenged by the commoditization of core services and the entrance of non-bank financial technology or “fintech” competitors. These competitors avoid the negative association with fee-based services that banks have, nor do they have the regulatory and compliance burdens. They advertise primarily through the social media networks, and do not have the financial baggage of legacy branch networks to support. They are financed by shareholders eager to cash in on well-promoted IPOs, and have not yet had to achieve any specific profit targets. Banks, on the other hand, do have legacy products and systems to support, examiners and shareholders to satisfy, a growing number of competitors, and do not have deep pockets to support product R&D.

But community banks do have competitive advantages that will help them to face these megatrends, embrace the changes these trends bring, and still be the financial services provider of choice to their customers.

One advantage is that they are truly community based. They are active members of the community, participate in the success of their consumer and business customers, and understand their needs.

Another is that they have the trust of their customers, as recent surveys have shown. It comes down to where the customer believes their money is safest—at their community bank.

Also, community banks have relationships with their state banking associations and other banks that they can share their ideas and experiences and learn what works. United Bankers’ Bank is your resource to help you with your payments products and strategy. We offer merchant acquiring services, credit cards, and prepaid cards. Don’t hesitate to reach out to us; we are “First for Your Success”!

*BAI Banking Strategies

Betsy Troyer, VP Bank Cards & Payments Management • betsy.troyer@ubb.com • 952-885-9457 • 800-752-8140
Introducing the New UBB.com

Faster Navigation • New Employee Profiles • Resource Library • Easy Search Content

Visit UBB.com and Enter for Your Chance to WIN an Apple Watch!

HOW TO ENTER
1. Visit www.ubb.com
2. Click on the NEWS & EVENTS button in the top right hand corner of the page
3. Under News, look for the story titled Visit and You Could Win an Apple Watch! Then click on the Read More> link below it
4. Read the contest rules and then click on the CONTEST ENTRY FORM link
5. Complete the form, click Submit and you're officially entered into the drawing!