11th Annual UBB ALMEdge User’s Conference

April 11th, 2014 marked the 11th Annual UBB ALMEdge User’s Conference, held in Bloomington, Minnesota. The conference was highlighted by its record attendance, with 228 attendees, representing eight different states, for an increase of 27% over the previous year.

The event kicked off on Thursday, April 10th where attendees were treated to an afternoon baseball game. Guests saw the Minnesota Twins battle the Oakland A’s from the comforts of the Skyline Suite at beautiful Target Field. The weather was gorgeous; however the outcome of the game was not so much for Twins fans.

The theme for this year’s conference was fittingly titled “The Winds of Change,” and a host of presenters, headlined by UBB’s own Jim Nowak and Ben Eskierka, provided attendees with an arsenal of information and insight on a variety of topics, ranging from economic outlooks, investment portfolio risk management and pricing, to the changing state of the economy and the UBB ALMEdge model.

Bill Rosacker

A Note from the President

The summer season generally marks a time of excitement and optimism for new and exciting things to come, and at UBB, we share in this sentiment, by announcing the launch of our new insurance product, BankConnect.

In staying true to our mission of providing community banks with products and solutions that will save them time, money, and enable them to remain competitive and community based, the BankConnect product will enable community banks the opportunity to receive four competitive executive risk insurance quotes from four highly rated A+ or better carriers, all while completing just one application. We view this product as a possible game changer in our industry and are excited to partner with the Willis Group to offer these benefits to our customers.

In other exciting news, we kicked off our regional events with two Michigan golf outings. The first took place on May 7th in Lansing. We saw record attendance with 39 bankers representing 22 different banks from around Michigan’s Lower Peninsula. Eight of these banks were first time attendees, reflecting UBB’s growing presence in Michigan.

On May 22nd, our Upper Peninsula Michigan event took place in beautiful Iron Mountain. Both events incorporated educational seminars focusing on a host of topics, ranging from bank stock loans and human resource management trends, to identity theft solutions and investment portfolio management insight. Following the presentations, guests were treated to a round of golf and dinner.

Regional events are a great opportunity for us to interact with and thank all of you for your business and continued support. We have a host of events lined up for the remainder of this year in South Dakota, Montana, and of course our fall conference in Le Center, Minnesota. Make sure you check out our events calendar at ubb.com for more details!

In closing, I would like to thank all of you for what you do, day in and day out, to support your communities and in the process make community banking one of the best and most gratifying industries to work in. Best wishes for a safe and prosperous summer and remember UBB is always First for Your Success.
“I am always humbled by the tremendous turnout we get for this user’s conference. Our goal has always been to provide our customers with unique, timely, and accurate information to help them manage through this difficult banking environment. I am lucky that I get to work for, and with such a great group of people every day,” said Nowak on this year’s conference.

Post conference survey data was collected, and found that attendees felt the information presented was very timely and beneficial and in turn awarded the conference as a whole a 99% satisfaction rating!

Preparations are already underway for the 2015 ALMEdge User’s Conference, so mark your calendars for Friday, April 10th, 2015. Information and registration details will be available as the event draws near.

UBA Launches Customized Insurance Solution, called BankConnect

Through an alliance with the Willis Group, UBA is pleased to introduce a solution that will provide customers and prospects access to a panel of four highly rated insurance carriers, who have all agreed to provide enhanced, flexible terms and conditions to banks seeking out solutions to their executive risk insurance needs.

“We are excited to offer bankConnect to our customers. BankConnect allows a bank to view multiple carrier competitive pricing and potentially have enhanced coverage. The program offers a customized package of solutions that are tailored to meet the specific needs of community bankers,” said Tim Henry, Managing Agent, United Bankers’ Agency.

The types of insurance policies available through BankConnect, range from Directors’ & Officers Liability, Employment Practices Liability and Fidelity Bond, to Cyber, Kidnap & Ransom, as well as others. The panel of highly rated, A+ insurance carriers that will be providing policy pricing consists of AIG, Chubb, Great American and Zurich.

The BankConnect solution provides community banks with a host of benefits, from competitive policy pricing and industry-leading coverage, to the ease and convenience of one universal application that is reviewed by four insurers and can be submitted online, saving both time and money. This innovative solution combines the expertise of Willis’ Financial Institutions Practice and the quality services customers have come to expect from UBA.

Bill Rosacker, President and CEO of United Bankers’ Bank commented, “Between Willis’ passion for developing impeccable insurance solutions and UBA’s dedication to providing quality services, BankConnect should assist many community banks in reviewing their current insurance needs and identifying options for expanded coverage and potential cost reduction.”

Interested in receiving a quote? The process is easy, simply visit www.willis.com/ubb.

For more information contact:
Tim Henry, Managing Agent
United Bankers’ Agency
952-886-9524 • Tim.Henry@ubb.com
Bank Prices Trending Upward
Number of deals set to increase as price multiples climb

For the third year in a row, bank prices have increased relative to tangible book value, reaching a median of 1.45x book nationally through mid-June 2014. While this is well below the 25-year average of 1.74x tangible book, it is a substantial improvement from the low of 1.10x observed in 2011. Chart 1 shows the median deal value to tangible book value for bank M&A transactions since 1990 as well as the number of M&A transactions each year. You will note the number of deals each year is loosely correlated with the median deal value to tangible book ratio. This correlation and recent trends beg the questions of (1) will the upward trend in price multiples continue, and (2) will this spur increased bank M&A activity in the latter half of 2014 and into 2015?

With the economy incrementally improving and interest rates poised to slowly start rising, bank prices are not likely to decrease significantly in the near future. Given these factors, potential buyers may be looking at this as a good time to take advantage of still lower valuation multiples and build a strong position to ride rising interest rates up in the future.

The lower chart shows the five-year trend in bank valuations across six regions in the U.S. Median deal values to tangible common equity were highest in the Northeast and lowest in the West so far in 2014. However, these indicators may be somewhat skewed due to the small number of deals in each region. The Midwest has consistently been in the middle of the pack with respect to price to tangible book multiples. Year-to-date activity in 2014 shows all regions except the West seeing an increase in the median price to tangible book ratio.

If you are a prospective buyer or seller, don’t hesitate to contact us; we can assist you in the process in a number of ways.

For more information contact:
Dwight Larsen, VP BankValue
952-886-9525 • Dwight.Larsen@ubb.com

Matt Becker, VP BankValue
952-886-9526 • Matt.Becker@ubb.com
United Bankers' Bank
Call Report (unaudited)
6/30/2014

Balance Sheet (000's)

<table>
<thead>
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<th>Assets:</th>
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<tr>
<td>Cash and Due from Banks</td>
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<tr>
<td>Investments</td>
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<td>Fed Funds Sold &amp; Securities Purchased Under Agreement to Resell</td>
<td>$ 57,814</td>
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<td>Loans</td>
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<td>Outstanding</td>
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<td>$ 24,185</td>
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<td>TOTAL ASSETS</td>
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<th>Liabilities and Capital:</th>
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<tr>
<td>Deposits</td>
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<td>Fed Funds Purchased</td>
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<td>Equity Capital</td>
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<tr>
<td>TOTAL LIABILITIES &amp; CAPITAL</td>
<td>$668,994</td>
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INCOME STATEMENT (YTD)

| Interest Income                        | $ 9,292 |
| Interest Expense                       | $ 530  |
| Net Interest Income                    | $ 8,762 |
| Loss Provision                         | $(500) |
| Net Interest Income (After Provision)  | $ 9,262 |
| Other Income                           | $ 7,416 |
| Total Income                           | $ 16,678 |
| Operating Expenses                     | $ 12,419 |
| Securities Gains (Losses)              | $ 11   |
| Net Income Before Taxes                | $ 4,270 |
| Tax                                    | $ 1,631 |
| NET INCOME                             | $ 2,639 |

Family Members: Two Daughters: Rachel, 19, who will be a sophomore at UW-Madison, and Annika, 15, who will be a sophomore at Wayzata High School.

Pets: No live ones, just peeves. :-)

Played most on iPod: I listen to an eclectic mix of 70’s and 80’s rock, New Age, New Country, and acoustical music.

Interests: I enjoy being active (and quite mediocre) in various outdoor events, leisure travel, trying new foods and restaurants, and hanging out with my daughters.

If I could live anywhere in the world, I would live in: Hawaii.

If I could have one super power (besides flying) it would be: Wisdom.

Many people don’t know that I: Have been an “extra” in two movies: HBO’s “Truman” (with Gary Sinese) in 1995, and Robert Altman’s “Kansas City” (filmed in 1995, released in 1996).

If I was not working in banking I would: Be a sports photographer and teacher.

I started working at UBB in: 2000.

My favorite part of working for UBB is: Working with the BankValue team on projects for our community bank clients, including their attorneys!

The best advice I ever got was: Don’t play leap frog with a Rhino!

First For Your Success means: Ensuring we help meet the needs of our bank clients to help them remain successful.

Dwight Larsen
VP BankValue
952-886-9525  dwight.larsen@ubb.com

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“Exempt from Overtime” Requirements
By Mary Deziel

The Department of Labor (DOL) published an administrative interpretation in 2010 stating that most mortgage loan officers, along with other positions, would no longer be considered exempt from overtime. This new interpretation reversed the DOL's previous position as stated in a 2006 opinion letter that loan officers were exempt from overtime. The U.S. Supreme Court has agreed to consider whether the DOL was required to engage in a formal notice-and-comment period before changing its interpretation of the Fair Labor Standards Act in relation to the status of mortgage lenders. This case will be heard in the 2014-15 term which begins in October.

While the exempt status of Mortgage Lenders has been a contentious issue for many of our customers, there is a much broader issue on the horizon. On March 13 of this year, President Obama directed the Secretary of Labor to “modernize and streamline” the DOL “white collar” overtime regulations. Currently, to qualify for the executive employee exemption, an employee must:
• Be paid a salary of at least $455 per week;
• Have the primary duty of managing a department or enterprise;
• Customarily and regularly direct the work of at least two other full-time employees or their equivalent; and
• Have the authority to hire or fire other employees or have serious consideration given to his or her recommendations.

While it is difficult to predict what the final changes will be, the focus appears to be on increasing the minimum salary level and/or revising the “duties test” for exempt status. I have seen estimates of minimum salary levels increasing to $600 and $900 per week. Currently the “duties test” does not require that an individual spend a specific percentage of time performing exempt work. One change being considered is that an individual must perform “exempt” duties, such as managing employees, at least 50% of the time to be considered exempt. Many small companies, including most community banks, have supervisors and managers who perform similar duties as their employees more than 50% of the time, and therefore would fail the revised “duties test”. These managers would be considered non-exempt and eligible for overtime pay if they work more than 40 hours in a week, and in turn would need to track their hours worked.

Stay tuned for more information from the DOL regarding proposed changes that could affect the status of many of your employees.

Order your 2014 USource Salary and Benefits Survey Report

Compensation and benefit data compiled from 86 community banks is grouped by metro/non-metro and by asset size. If you would like to order a survey report, please click the link found in the News Section at ubb.com.

For more information on how to become a USource member, call 866-394-1984 or e-mail usource@ubb.com.
Best part of working in the Pacific Northwest:
A combination of the wonderful people and the beautiful countryside. The people in general are friendly, courteous, helpful, happy, and humble. The bankers who I have relationships with, take that attitude and mindset in leading their respective banks in their communities in a positive and professional manner. They treat people and businesses fairly and with respect and look for ways to meet and exceed their wants, needs, and desires if possible. The beauty of the Pacific Northwest with its many mountains, rivers, lakes, wildlife, flowers, diverse agriculture, and even desert areas is at times stunning and awe-inspiring. I have lived in Oregon my entire life and, while I like to visit other areas, I feel blessed to spend my time, energy, and life in the beauty and peace of the Pacific Northwest.
The dreaded “C” word. Compliance. The only thing worse in the hearts and minds of electronic payments professionals and bank managers are the words “data breach”. We have all been terrified by the telling and re-telling of the story of what happened when Target Corporation was breached at the peak of the prime transaction season. It is just a short jump of the imagination to consider what it would be like if such a thing happened to your merchant customers, and what it would do to your bank.

Even though it is not pleasant to be in the position of riding herd on your merchant customers to ensure that they are compliant, it is vitally important to meet the international security requirements to protect cardholder data. The Payment Card Industry Data Security Standards (PCI DSS) were developed by the founding payments brands of the PCI Security Council to facilitate data security measures on a global basis.

The standards require that all merchants:
• Build and maintain a secure network
• Protect cardholder data
• Maintain a vulnerability management program
• Implement strong access control measures
• Regularly monitor and test networks
• Maintain an information security policy

Why is it important? Because every piece of cardholder account information that passes through the payments system is vital to our business. Without proper safeguards, this information can be vulnerable to compromise, as the Target situation illustrates. We all need to do our part and meet our responsibility as participants in this payments system and ensure that the culture of security continues to instill confidence in our mutual customers.

How can UBB help? As part of our Merchant Services, all merchants on our network are signed up for PCI DSS Security screening through our transaction processor. This means that you, the community bank does not need to be involved in the actual screening process (but sometimes we may ask you to help us make certain a “reluctant” merchant does their part. We also mandate that all our merchants purchase breach insurance (that the ICBA has helped to underwrite) for our merchant program. The cost for these services is very little, but they can provide a tremendous financial benefit to the merchant and your bank in the event that a security breach happens.

If you have any questions about PCI DSS, please call UBB Card Services at 1-800-752-8140 and ask for Marcia Hartwig. To receive a copy of Visa’s “What To Do If Compromised” guide, visit www.visa.com/cisp. It contains step-by-step guidelines to assist clients, merchants and service providers through a security incident.
Introducing...

bankConnect

Key Benefits:

- Competitive Policy Pricing
- One Universal Application Reviewed by Four Insurers
- Convenient Online Submission Process
- Industry-Leading Coverage

www.willis.com/UBB

Tim Henry - 952-886-9524
or Tim.Henry@UBB.com