22nd Annual Fall Conference “Kickin’ Grass and Takin’ Game”

UBB held its 22nd Annual Fall Conference at Traxler’s Hunting Preserve in Le Center, Minnesota, on September 29th.

Attendance continues to grow for this annual event and this year’s conference did not disappoint. The day began with an informative presentation on the state of the bond market environment from UBB Securities, Ben Eskierka. Kevin Moehn of iHELP followed with a closer look into the student loan referral program and guest speaker, Karl Pedersen, of the Willis Insurance Group gave an eye opening look at the current trends in cybercrime and the increased need for cyber insurance. Business consultant and professional

Bill Rosacker
A Note from the President

As our lives seemingly get busier and busier, I always find it important to take time to step back and appreciate all of the wonderful people, exciting events, and changes around me and at UBB it’s no different.

We view correspondent banking roots as being the ability to interact and meet our customers face-to-face, so we can not only understand the challenges their banks face, but also so we can personally thank them for their business and the trust they have invested in UBB. Our regional events and conferences provide us with a great opportunity every year to do this.

This year’s host of regional events began with an education and golf outing in Lansing, Michigan, followed by another event hosted in scenic Iron Mountain, in the Upper Peninsula of Michigan. The month of July marked our First Annual Luau-themed Boat Cruise around Lake Okoboji, Iowa, as well as a golf outing in Sioux Falls, South Dakota. Entering into the fall season, we returned to Sioux Falls for a sport shoot, as well as hosted our 22nd Annual Fall Conference, which can be read about in our cover story. Finally, we concluded our regional events season with our First Annual Management Seminar and casino-themed evening in Great Falls, Montana. All of the events experienced great attendance numbers and provided us with valuable feedback to the needs of community bankers throughout our territory.

The end of this year marks a bittersweet time for UBB, as we say goodbye to Chuck Hokans, Executive Vice President, who will be retiring on December 31st, 2014. After spending nearly three decades at the bank, it will be a big loss to all of us here and to the community banking family. His steady demeanor and thoughtful approach to some of the biggest challenges we’ve faced has always been a major asset to the bank and to our customers. Chuck has left a solid structure in place with employees that have extensive banking experience. We want to thank Chuck for his years of hard work and wish him nothing but the best in his retirement! Make sure you check our photo tribute to Chuck on the following page.

In closing, thank you for your business, and as always, we are First for Your Success.
motivational speaker, Mike McKinley, closed out the educational portion of the event with a humorous and thought provoking take on managing through crisis and the importance of leadership and teamwork in today’s business world.

After a delicious lunch, bankers joined their trusty four-legged friends, grabbed their shotguns, and made their way as teams throughout the grass fields for the live pheasant hunt.

For the bankers electing to test their aim and reaction time, a clay shoot competition was held. Final results were tallied and prizes were awarded for the sharpest shooters and the hunting teams retrieving the most fowl. After the completion of the hunting and shooting competitions, guests dined on an exquisite cuisine of wild game choices, ranging from roasted chucker and wild boar leg to baked Mahi Mahi.

“The Fall Conference has proven to be a timeless tradition that provides our staff with the opportunity to connect with customers and provide them with opportune information and resources, while at the same time thanking them for their business and the trust they’ve placed in UBB,” commented John Peterson, UBB Senior Vice President of Marketing and Sales.

The UBB staff looks forward to seeing new and familiar faces at next year’s event. This event is open to community bankers throughout the UBB service area and is one you won’t want to miss in 2015.

On behalf of everyone at UBB, we want to thank Chuck for his dedication, passion, and tireless efforts since 1985.

Best wishes on a happy retirement;
You will be missed!
What’s a “Fairness Opinion?”

The community bank M&A landscape is changing, as activity and values are rising slowly. The chart below provides a recap of M&A activity year-to-date for 2014. We’re also seeing increased requests for “fairness opinions” to support the prices being paid in bank transactions. Since, historically, fairness opinions have not been common in community bank deals, many readers have probably not heard of them, so a little background is needed to better understand their reappearance on the M&A scene.

Banks are generally sold one of two ways: competitive bid or directly negotiated. There are advantages and disadvantages to both approaches. In a competitive bid transaction, a broker generally lines up prospective buyers to bid against each other for the bank. The board of directors of the selling bank can then report to the shareholders they were able to get a fair price through a competitive bidding process.

However, in a directly negotiated deal, the selling bank’s board of directors basically deals directly with one or possibly two prospective buyers, and completes a deal without any competitive bidding process. Some bank sellers prefer this process to a competitive bid sale. When a bank is sold via direct negotiations with another bank, there will be certain situations where the board of directors of the selling bank may wish to insulate itself from claims of minority shareholders who disagree with the decision, or feel the price isn’t fair. It is at this point the selling bank’s board of directors may wish to obtain a fairness opinion.

So, what’s a fairness opinion? It’s a professional evaluation as to whether the terms of a merger or acquisition are fair to the shareholders from a financial standpoint. A fairness opinion is an actual report prepared by a qualified professional that analyzes the proposed acquisition price using data and analysis. Fairness opinions differ from a standard valuation report in that the qualified professionals completing the report don’t provide their opinion of fair market value, but rather, render a conclusion that the price being offered is “fair” to the shareholders from a financial standpoint. This is an important distinction, as the qualified professional rendering this conclusion takes on some of the liability along with the board of directors that there are no material negative items or issues not reflected in the price at this time.

Because of this type of liability, fairness opinions are more expensive than a standard business valuation project.

Don’t hesitate to contact us with additional questions regarding fairness opinions. Although still not common, there is certainly a time and place for their use and we are seeing them requested more often.

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United Bankers’ Bank
Call Report (unaudited)
9/30/2014

Balance Sheet (000’s)

**Assets:**
- Cash and Due from Banks $ 77,714
- Investments $ 173,043
- Fed Funds Sold & Securities Purchased Under Agreement to Resell $ 67,260
- Loans
  - Outstanding $ 363,727
  - Loss Reserve $ (8,950)
- Other Assets $ 24,109
- TOTAL ASSETS $ 696,903

**Liabilities and Capital:**
- Deposits $ 604,275
- Fed Funds Purchased $ 15,899
- Other Liabilities $ 5,486
- Equity Capital $ 71,243
- TOTAL LIABILITIES & CAPITAL $696,903

**INCOME STATEMENT (YTD)**
- Interest Income $ 14,113
- Interest Expense $ 886
- Net Interest Income $ 13,227
- Loss Provision $ (500)
- Net Interest Income (After Provision) $ 13,727
- Other Income $ 11,290
- Total Income $ 25,017
- Operating Expenses $ 18,646
- Securities Gains (Losses) $ 11
- Net Income Before Taxes $ 6,382
- Tax $ 2,440
- NET INCOME $ 3,942

**Employee Spotlight**

Mary Deziel
VP, USource HR Management Services
952-885-9498  mary.deziel@ubb.com

**Family Members:** Dan and I are Empty Nesters, but our children Emily, Maggie, and Mike, their spouses, and 5 (soon to be 6) grandchildren live in the Minneapolis area within a half hour of us. Most of my extended family lives here too. There are about 60 of us when we gather for Christmas each year.

**Pets:** None, thankfully. Does it make me a horrible person that I don’t like animals very much?

**Played most on iPod:** I never much liked country music; I’m more of a rock and roll/blues type, but I am starting to like Eric Church and Alan Jackson songs.

**Interests:** Spending time with family and friends, painting watercolors, traveling, reading, and kayaking. And I’m waterskiing again!

**If I could live anywhere in the world, I would live in:** I like Minnesota; family and friends are here and it really is beautiful. But, I can’t really answer this question until I have traveled to more places. I do plan to live somewhere that is a lot warmer in the winter months when I am older; I just don’t know where yet, but it will be near an ocean.

**If I could have one super power (besides flying) it would be:** The power of healing.

**Many people don’t know that I:** Have learned to be semi-functional on an average of five hours of sleep per night.

**If I was not working in banking I would:** Own an art gallery.

**I started working at UBB in:** July of 2008.

**My favorite part of working for UBB is:** Our customers!

**The best advice I ever got was:** Take time for yourself occasionally; balance is important.

**First For Your Success means:** Helping customers and coworkers succeed translates to my own success.

The watercolor painting, painted by Mary and photo of her are both from an 11 day Alaska Land and Sea Cruise. The watercolor she painted is of an area near Skagway, Alaska. It is the third painting of a 3-painting series that Mary has created. To see more of Mary’s work visit www.artbymaryl.com.
The rapidly-changing regulations for employers at both the federal and state level have been mind-boggling the last few years. As federal contractors, community banks have been especially hard-hit, and there is more to come.

- US Workers can expect a median base salary increase of 3% in 2015 in most industries, according to a study conducted by the Hay Group and WorldatWork. In that study, US employees will put more emphasis on improving variable pay programs and will move toward key nonfinancial rewards programs, such as career development opportunities. In a recent USource Salary & Benefit Survey, participating community banks estimate their employee salaries to increase up to 2.7%.

- The National Partnership for Women & Families is calling on Congress to pass three pieces of legislation: the Family and Medical Insurance Leave Act which would create a national paid family and medical leave insurance program; the Health Families Act which would set a national paid sick days standard; and the Pregnant Workers Fairness Act which would help guard against pregnancy discrimination. Stay tuned.

- Employer-sponsored health insurance in the post-Affordable Care Act may be at a crossroads. When Chief Human Resource Officers were asked which of four statements best categorized their company’s strategy relating to health benefits over the next 10 years, 46% plan to continue offering employment-based defined benefit health plans as they do today. 36% will give serious consideration to moving to a defined contribution strategy on exchanges or retail health insurance marketplaces. 6% will give serious consideration to discontinuing health benefits, 12% are not sure what they will do.

- The Affordable Care Act (ACA) did not change or eliminate COBRA continuation rules. However, the ACA has impacted COBRA decisions. Enrollment in the Exchange/Marketplace can take place during its annual open enrollment period or during a special 60 day enrollment period that is allowed when certain triggering events occur, such as termination of employment. When a COBRA Qualifying Event occurs, Qualified Beneficiaries (QB’s) have the option of enrolling in COBRA coverage or a health plan through the Exchange. If COBRA is elected, QB’s can only enroll in the Exchange during the annual Open Enrollment period or once the entire maximum COBRA coverage period is exhausted. Careful consideration of options should be considered at the time of a Qualifying Event and before electing a plan. An employer’s COBRA responsibility certainly has not ceased with the availability of the Exchange. In fact, the addition of the Exchange has added a level of complexity for employers and workers.

USource provides assistance and expertise in the human resources area, specifically for community banks through our hotline, webinars, and policy development/handbook services.

For more information on how to become a USource member, call 866-394-1984 or e-mail usource@ubb.com.
Mark Oliverio  
Marketing,  
VP Correspondent Banking Officer  
PO Box 216  
Hinsdale, IL

**Born:** Maywood, IL

**Family:**  
Wife: Liz  
Kids: Gabriella 6, Gianni 3,  
Marco 23 months, Matteo 10 months

**Experience:** 12 years in banking

**Attended College:**  
BBA from Loyola University and  
MS from Boston University

**Majored in:**  
Banking and Finance

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**Best part of working in Illinois:**  
Illinois is home to so many diverse and distinct banks that each bank call is a new experience. With Illinois being a relatively new market for UBB, I’ve enjoyed the opportunity to be the first to introduce many bankers to our broad and impressive product lineup.
The ICBA has just published the results of a study on the financial attitudes and banking preferences of the largest generation in history – the millennials. The millennials account for roughly 80 million, are in the age group 19-37-years-old, and are “late bloomers” in terms of the milestone financial events such as marriage, child-rearing, and home buying. They also have the greatest number of college graduates (along with some hefty school loans), and have grown-up in an electronic universe—smart phones, iPads, mobile devices, and social media. The millennials are well informed and make most of their decisions based on what their friends on social media and trusted resources tell them. They are positioned to inherit from the boomer generation and have a strong entrepreneurial drive. They like their local financial institutions and trust them more than the large national banks, which leaves a vast opportunity for community banks.

The millennials provide an untapped opportunity to community banks because they haven’t (until now) represented a wealthy demographic and most banks have not figured out what tools they are looking for and how to successfully approach them. Don’t wait for demand from the millennials before you invest in electronic or digital payments tools because they are not going to come to the branch and ask. They seldom go to the bank; instead they are waiting for you to reach out and provide guidance and be their financial advisor.

To acquire and keep the millennials as lifetime customers you need to offer the products they want (such as online or mobile banking), through the channels they prefer (including the internet and social networks), with some incentives to get them to adopt. You then need to provide the value they are seeking, such as tools to help them master their financial challenges and ways to help them when they go off to college or move out on their own for the first time (such as pre-paid cards, credit cards, and the iHelp private student loan referral program). Millennials are often also in need of information about how to create and stick to a budget, as well as advice on mortgages, loans and investments, and small business tools (including remote deposit capture, business credit cards, reloadable pre-paid cards, e-invoicing, and bill payment tools for small businesses).

Instead of pushing products, community bankers need to adopt the role of financial counselor, and provide value through the tools listed above (think financial tutorials). If we do that right, product sales will follow. Start reaching out early; maybe when they are in high school and remember, don’t wait for demand from the millennials before you build this product set, they are waiting for you to make the first move. UBB is always available to help navigate this approach; remember we are First for Your Success!

Betsy Troyer, VP Bank Cards & Payments Management
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