The Top 10 Things Every Community Bank President Needs to Do  
By: Evan Francen, CEO, FRSecure

There are ten fundamental information security practices that should be followed in every organization:

Think Right, Get Help, Get Involved, Lead, Plan, Set Goals, Measure, Seek, Encourage and Prepare.

Some of these things you can delegate to others, and some of these thing you can’t. As a bank president you need to ensure that they are all getting done.

Think Right.  
Most people agree with us when we tell them that information security is a business issue, not an IT issue. Although most people will agree, most people don’t act in a way that agrees. We have come to realize that people do what they believe, more than they say what they believe. Thinking right will lead to acting right. Not only do we say that information security is a business issue, we actually ACT like information security is a business issue.

Bill Rosacker  
A Note from the President

As the days grow shorter and the temperature continues to drop, we’re reminded that winter is right around the corner and another year is coming to an end. This year was especially memorable for United Bankers’ Bank, as it marked our 40th anniversary. From our early beginnings in 1975 as the nation’s first bankers’ bank serving Minnesota community bankers, who were tired of relying on the big systems banks for their correspondent services, to where we are today, serving the needs of over 800 community banks throughout 12 different states, our commitment to community banking has never wavered. As we look ahead to the next 40 years and beyond, we will continue providing community banks with the resources needed to be competitive in their markets, we will never compete against our customers, and we will always place their success above our own.

Though our mission has not changed throughout our bank’s 40 years of service, our product offerings have grown and evolved as the needs of our customers expanded and have become more sophisticated. This year alone, we launched UBB Compliance services and formed an important partnership with IT Security consulting experts, FRSecure. You can read more about FRSecure’s expertise in this issue’s cover story.

Our 40th anniversary festivities were capped off on October 22nd & 23rd at the UBB Grand Event celebration. The event was well attended and guests enjoyed a variety of timely and educational breakout sessions and were treated to keynote presentations from prominent speakers such as Mike Abrashoff, commander of the USS Benfold and Gen. Barry McCaffery, retired four-star U.S. Army General.

It’s truly a privilege for all of us here at United Bankers’ Bank to serve you and to be a dedicated ally of community banking. Thank you for your business and the trust you have placed in us. Best wishes to you and yours for a healthy and successful new year.
Get Help.
Information security management is a specialized skill, and every organization is different when it comes to what works best. You are not expected to be an expert, but you are expected to be informed. Get help from a trusted information security expert that can help you determine what role (specifically) you should take with respect to information security, and where your organization is with respect to information security management and risk.

Get Involved.
There is nothing more important to the success of information security than active involvement and endorsement from the president. We’ve built hundreds of information security programs over the years, and we’ve tried building them with and without active president involvement. We’re convinced that the only way to manage security well within an organization is to involve leadership at the top.

Lead.
Time and time again we hear that presidents want to implement (or follow) best practices with respect to information security. Notice the word “follow”.

Best practices are really a collection of practices that an industry or group has generally accepted as good (or “best”). This is the herd mentality, and isn’t leadership at all. Remember when your mother told you “If your friends jump off a bridge, would you too?”

Plan.
Two things about information security:
You are never “secure”. At least not in the sense that it’s a destination to arrive at. Information security is relative and requires constant, ongoing attention.

You can’t change overnight. Many of the practices and processes that are necessary to make your organization more secure require time. Maybe even a long time.

Set Goals.
Setting goals equates to setting annual objectives for information security. The goals help the organization ensure that its (strategic) plan is carried out. Simple question; what are your organization’s information security goals and objectives for the next twelve months?

Measure.
It’s hard to manage something that you can’t measure. If your organization has planned well and set goals well, then you should have progress that you can measure.

Seek.
I was once asked by the president of a company who is a client of ours; “Evan, I appreciate all you do for us in keeping us secure, but will any of this make us more money?”

This is a great question. After all, we are in business to make money. If we are investing in things that don’t translate into making more money, then it’s pretty hard to justify doing these things. Information security is an investment in your organization, and shouldn’t be treated as just another cost center.

Encourage.
Recently, I was asked on the air by a radio show host; “Do you think that people are reluctant to share information security incidents because they are fearful that they will be punished or ridiculed?” She was speaking about employees coming forward to report an incident or potential incident. If people feel compelled for whatever reason to not share what they know, then they probably won’t. It doesn’t matter what the reason is. Encourage and reward transparency within your organization.

Prepare.
You need to know that no matter what we do or how much we invest (time, effort, money, etc.), we cannot possibly prevent all incidents and breaches. Regardless of what we do, we will still have a risk for loss. The goal is to minimize risk and prepare for the inevitable.

Ensure that your organization has planned for what you will do if/when you lose control of important information. The plan needs to be thorough, practical, and tested regularly.

Conclusion.
As the president of your organization, you don’t need to do any or all of these 10 things yourself. You do need to be involved enough to ensure that all 10 of these things are being done within your organization and that they are done right and to your satisfaction. Presidents who don’t are more likely to encounter loss, including their jobs.

“FRSecure is a full-service information security management company that offers the highest level of expertise in protecting sensitive, confidential organizational information from unauthorized access, disclosure, distribution or destruction. Our information security analysts have an average of 15+ years professional experience in the industry, spanning multiple verticals such as education, non-profit, government, healthcare, banking and law firms.”
Make Sure Your Compliance Armor is Strong!

How to avoid the pains of enforcement actions and civil money penalties

The words “enforcement actions” and “civil money penalties” generally cause a banker to have many aches, and sometimes, real pains. Unfortunately, this has been a somewhat regular occurrence in recent months and years. As a compliance officer, you can help to alleviate these aches with proper preparation, prevention, and protection…before they become a real pain.

According to research completed by Continuity Control, from January 1 to June 30, 2015, regulators issued 383 enforcement actions against banks nationwide. In addition, regulators assessed $2,454,594,533 in civil money penalties during this time period. The most common consumer-related violations occurred within BSA/AML, consumer protection, and flood insurance. In today’s environment, last minute prep for an exam to correct a year plus of issues is no longer sufficient. In order to ensure your bank doesn’t face the real pains enforcement actions and civil money penalties can cause, some good preventive measures need to be taken to protect everyone.

Using an analogy, think of the preventive measures as four different layers of an armor suit; this is your bank’s compliance management system. The first layer includes an understanding of your bank’s business model. A compliance officer needs to know where the bank focuses on drawing in their customer base. A retail bank will have a different risk assessment and consumer regulatory focus than a commercial bank. Once that has been achieved, the compliance officer will move into the second layer, known as the prevention layer. This layer entails having strong policies and procedures to support the business model, in addition to adequate employee training on how to properly address all of the requirements. Your third layer of protection will come in the form of monitoring. Conducting independent audits and/or having quality control reviews of your policies, procedures, and training will provide you with feedback on the effectiveness of your compliance management system. Bankers can ensure adequate monitoring by having independent internal staff or by hiring a third-party vendor. As the observations are uncovered from your audits, the fourth and final layer of protection you will need is the support of senior management and the Board of Directors. An effective compliance management system starts at the top!

The best way to ensure that compliance aches don’t become real pains is to implement a strong compliance management system. Make sure your bank’s suit of armor protects you from the pain of enforcement actions and civil money penalties!

For more information on Compliance Services, contact Kassia Holt at 952-886-9548 or Kassia.Holt@ubb.com.
United Bankers' Bank  
Call Report (unaudited)  
9/30/2015

Balance Sheet (000's)

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<th>Assets:</th>
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<tr>
<td>Cash and Due from Banks</td>
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<td>Investments</td>
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<td>Fed Funds Sold &amp; Securities Purchased Under Agreement to Resell</td>
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<td>Outstanding</td>
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<td>Loss Reserve</td>
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<td>Other Assets</td>
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<td>TOTAL ASSETS</td>
<td>$740,486</td>
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<th>Liabilities and Capital:</th>
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<td>Equity Capital</td>
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<td>TOTAL LIABILITIES &amp; CAPITAL</td>
<td>$740,486</td>
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INCOME STATEMENT (YTD)

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<tr>
<th>Income Statement (YTD)</th>
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<tbody>
<tr>
<td>Interest Income</td>
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<td>Interest Expense</td>
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<td>Net Interest Income</td>
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<td>Loss Provision</td>
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<td>Net Interest Income (After Provision)</td>
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<td>Other Income</td>
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<td>Total Income</td>
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<td>Securities Gains (Losses)</td>
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<td>Net Income Before Taxes</td>
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<td>Tax</td>
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<td>NET INCOME</td>
<td>$4,780</td>
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Family Members: I have two kids: Brenden (12) and Payton (11).
Pets: None – I couldn’t even keep a goldfish alive.

Played most on iPod: Country.

Interests: Watching my kids play sports, spending time up north at the cabin (boating, golfing and a bit of relaxation), attending Minnesota Gopher football games and traveling.

If I could live anywhere in the world, I would live: Besides right here in Minnesota, I would say Italy.

If I could have one super power (besides flying) it would be: The ability to travel back and forth through time.

Many people don’t know that I: Made a hole-in-one as an 8-year-old.

If I was not working in banking I would: Work in the medical field.

I started working at UBB in: 2000.

My favorite part of working for UBB is: The opportunity to develop long-term relationships with community bankers.

The best advice I ever got was: Nothing is worth having if you don’t work for it.

First For Your Success means: Approaching customer relationships as partnerships, which in turn allows UBB to remain on the forefront as a correspondent, striving to provide optimal products and services to ensure our customers’ continued success.

Jim’s son Brenden playing football for Hopkins Junior High School.

Jim’s daughter Payton.
Decision Time for Salary Increases and Benefits Approaches

The 2015 USource Salary and Benefits Survey will assist you in making informed decisions regarding compensation and benefits. How can you know if your bank provides competitive pay and benefits if you don’t know what your competition is doing? Use the survey to compare your bank to the latest Midwest market data. The salary data is filtered by metro/non-metro areas and by bank asset size. If you would like to order a survey report, please click the link found in the News Section on the UBB website.

More Webinars!
USource Webinars - begin at 10:00 a.m. and typically last about 45 minutes. USource webinars are FREE for USource members and only $85 for non-members. To register, visit www.ubb.com and click on the News & Events button.

December 10 – Legal and Legislative Update
Complying with the plethora of laws and regulations from various government agencies continues to be challenging, especially for federal contractors. (Yes, banks are federal contractors.) Join us to learn the answers to these questions and others:
- Which of the current and pending requirements for federal contractors apply to community banks? (Paid sick time? Wage secrecy? Background checks?)
- Are the new rules for classifying employees as exempt from overtime final yet?
- Who is required to file reports under the Affordable Care Act in 2016?
- What does the passing of the PACE Act (Protecting Affordable Coverage for Employees Act) mean for my bank and our employees?

January 14 – FMLA
The goal of The Family and Medical Leave Act (FMLA) was to balance the demands of the workplace with the personal needs of families and individuals. Once we have reviewed FMLA basics, we will highlight best practices in response to real-life FMLA situations. This webinar will prepare you to handle the administrative complexities of the Family and Medical Leave Act.

February 18 – Designing an Offboarding Plan
You have probably heard of Onboarding, but have you heard of Offboarding? Employee departures, whether voluntary or involuntary, are an inevitable part of conducting business. An offboarding plan manages employee departures effectively. Having a plan reduces the bank’s liability and makes a positive impression with the departing employee. In this age of social media, employees can easily express their opinions (good or bad) publicly, which can influence potential customers and applicants.

March 10 – Americans with Disabilities Act
The Americans with Disabilities Act (ADA) was enacted to eliminate discrimination and provide all Americans—with or without disabilities—with equal employment opportunities. You will learn how disability is defined, what may be considered a “Reasonable Accommodation”, and what “undue hardship” means. The ADA gives a qualified individual with a disability an equal chance, not a preference.

April 14 – Vacation and Sick Time vs. PTO
Like most things, there is not one method that works for all companies. The debate as to whether employers benefit from offering PTO rather than separate vacation and sick time rages on. We will navigate through the pros and cons of each of these programs to help you decide what plan is best for your bank.

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.
Todd Schultze
Sales & Marketing,
VP Correspondent Banking Officer
1650 W. 82nd St., Ste. 1500
Bloomington, MN

Born: Fairmont, Minnesota (Martin County)

Family: My wife, Laura, and I recently celebrated our 26th wedding anniversary. We have lived in Cottage Grove since 1992, where Laura served as the Children’s Minister at our former church for nearly 20 years. We have one daughter, Amber, who is a graduate of Winona State University, majoring in Biology-Allied Health. Her plans are to pursue a career as a Physician Assistant.

Experience: I have 26 years’ experience in community banking in the Twin Cities metro area, with my career focused on credit and commercial lending (15 years with UBB, including 13 years as a Commercial Lender, with 5 of those years as Credit Administration Manager, and 7 of those years as UBB Security Officer prior to becoming a Correspondent Banking Officer). My father was a 38-year employee of the former Martin County National Bank (now Profinium Inc.) in Fairmont, literally making banking a part of my entire life.


Majored in: Business - Finance.

Best part of working in Minnesota:
The friendships that I have been able to make with bankers, who are true business leaders. It has been a pleasure to work with bankers who truly care for their communities, customers and employees, making our state strong. I thoroughly enjoy traveling the countryside, visiting areas that I have always wanted to explore, and learning about what makes so many areas of our state such great places to live, be proud of, and call home. It has been so much fun working directly with bankers from nearby my hometown that have been loyal to UBB over many years. Our customers have strongly supported UBB for 40 years, and it is our job to work hard for them every single day!

States Covered: Minnesota
Area of State Covered = There are 86,943 Sq. Miles in Minnesota, and I cover approximately 2/3 of the state overall, including 1/3 of the metro charters.
Number of Bank Visits Made Last Year =
189 in 2014, 195 YTD 2015

Todd Schultze
Regional Report

Todd, Laura, and Amber.

Todd cheering on his favorite hockey team at the Herb Brooks National Hockey Center.
For years banks have realized that small business growth drives both balance sheet and earnings growth. Currently, there are over 5.1 million businesses categorized as “small”, representing 90% of the total number of businesses in the U.S., according to the BAI. And, it is estimated that 500,000 new small businesses are created every year.

According to Barlow Research, two categories of small business have a collective market size of $17 billion. The Small Enterprise, which has an annual income of $500K-$2.5MM, has a potential revenue for banks of $7,751 per relationship per year. The Business Banking client, which has income ranging from $2.5MM – $10MM, has a potential revenue for banks of $17,422 per relationship. Small business relationships can be more profitable than most consumer relationships, and small business loans tend to carry higher interest rates than larger commercial credits. Small businesses are also candidates for a broad range of value-added fee services, such as credit cards.

The critical financial needs for small businesses are access to capital, and cash flow management. UBB’s new Business Builder product suite can help your bank provide those services to your small business customers in a simple, easy, and convenient way. And, we have made some exciting changes to our Business Builder Credit Card Program to make it more competitive and profitable for our community bank partners, too.

**Featured Changes to the Business Builder Credit Card Program:**

- **Revenue sharing.** When your bank offers UBB’s business card product, your bank will receive $25.00 for every new approved application, and 20 basis points on net interchange income quarterly. *(Payout requires at least one new approved application quarterly.)*

- **Improved Scorecard Rewards,** enhanced travel benefits.
  - Members can now combine points and cash for more flexibility.
  - Variable pricing based on cost of ticket.
  - No advanced notice or Saturday stays required.
  - Online flight search.
  - Members can book airline tickets with fewer restrictions.
  - More activity options (such as tours) are now available.
  - Online cruise bookings are now available.

- **Savings on purchases with Visa SavingsEdge,** a convenient and innovative loyalty program
  - Provides merchant funded savings automatically at participating merchants.
  - Uses statement credits rather than cumbersome coupons or codes.
  - Enroll for free.

- **Low annual fee**
  - For the Platinum Card (without Scorecard Rewards) $15.00 per year if less than $5,000 in purchases are made within a 12 month period. If more than $5,000 in purchases are made the annual fee is waived.
  - With Scorecard Rewards, $25.00 annually, reduced from $45.00.

- **Improved online security with Visa Checkout.** Speeds up checkout for online or mobile purchases, without the need to re-enter shipping and billing information. Your customer can make a payment more securely with just a few clicks and best of all your payment information is not stored online.

- **Low introductory rate.** 3.25% for the first 6 months, then a variable rate (currently 9.25%) based on the prime rate in the Wall Street Journal. *This rate may change quarterly.*

- **All newly issued cards are equipped with EMV chips** and magnetic stripes so they will be accepted everywhere.

**How can Business Builder credit cards help meet your customers’ payment needs?**

- **Manage their cash flow** - Make online bill payments to vendors that regularly invoice your company. It is more flexible than writing checks because their cash flow isn’t affected until they pay their bill.

- **Customized spending reports** - Your customers can download custom spending reports directly into their accounting software, enabling them to view and track their purchase information. Another helpful report card users receive is an annual year-end summary statement that details their card use for the year.

- **Get a better price on their purchases** - With merchant funded rewards.

- **Convenience** - Make purchases whenever and wherever they need to.

- **Build Control** - Enable your customers to separate their personal expenditures from their business purchases and grant access to their employees to pay for business expenses that they can track and control.

- **Improve Security** - With Visa Checkout and EMV chip cards.

- **Very competitive rates.**

- **Easy access with MyCardStatement.com** - Secure website where your customers can log in and access account balances, transactions, statements, make payments, and receive special rewards.

Provide customers with the payment options they need to build their small business and help them grow with your bank.

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**Exciting Changes to UBB’s Business Card Program!**

Betsy Troyer  
VP Bank Cards & Payments Management  
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www.ubb.com | Independent | 7