UBB First for Your Success™

News, Analysis and Perspective for Community Banks by the Nation's **First** Bankers' Bank

Independent

Summer 2023

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This Issue:

UBB and Pidgin: Empowering Instant Payments with FedNow

By UBB Instant Payments

In our fast-paced digital world, the demand for instant and seamless payment solutions has never been higher. Recognizing this need, UBB has partnered with Pidgin, a cutting-edge payments platform, to allow banks and their customers to make instant payments, leveraging the power of FedNow. This collaboration marks a significant step in revolutionizing the payment landscape by offering unprecedented convenience, speed, and security.

pidgin

FedNow 24/7 INSTANT PAYMENTS

FedNow, an innovative real-time payment system developed by the Federal Reserve, is designed to equip individuals and businesses with immediate access to funds 24/7, 365 days a year. It eliminates the delays and settlement periods associated with traditional payment methods, enabling transactions to be completed within seconds. With UBB's partnership with Pidgin, this transformative capability is now accessible to banks and their customers, opening up new possibilities for streamlined financial transactions.

UBB and Pidgin continued pg 2

Dwight Larsen — A note from the President

We hope this newsletter finds you in good health and high spirits. I want to start this edition of the Independent by taking a moment to extend our heartfelt gratitude and sincere thanks for the overwhelming response we received to our recent call to action regarding instant payments. Back in May, we received word that one of the country's largest core processors announced their intent to exclude United Bankers' Bank and other correspondent banking providers from the instant payment and settlement process, forcing community banks to settle their instant payments with one of the largest national banks in the US. Your immediate action in contacting your core processors and asking them to include UBB in settlement of instant payments processing is truly inspiring. The overwhelming response led to collaborative discussions with several core providers to forge a path going forward where we can work together to ensure the best service and experience for community banks.

The community banking industry is second to none, and by rallying together, you have highlighted the strength and influence of our collective voice. This united front not only reinforces UBB's position as a leading bankers' bank but also showcases our customers' remarkable support and loyalty. We are truly humbled and proud to serve the best customers in the world. Thank you!

Speaking of instant payments, this issue's cover story by UBB's Operations Team highlights our partnership with VSoft to develop UBB's cutting-edge payments solution called Pidgin. You will be hearing more about Pidgin in the coming months, but if you would like to learn more about it now, you can request additional information by visiting www.ubbpayments.com.

UBB Compliance Consultant, Sandy Panella, breaks down the Consumer Financial Protection Bureau's policy statement regarding abusive acts and practices.

With states continuing to legalize marijuana in their legislative sessions, we enlisted the help of our partner, RiskScout, to shed some light on the ramifications legalized marijuana will have for community banks in this issue's Q&A.

Get to know our SVP and Operations Director, Alan McLean, in this issue's employee spotlight on page 4, then flip over to page 6 to find out how South Coast Bank is Keeping the Community in Community Banking.

With the rollout of the Fed's instant payments, we are embarking on another significant innovation within the banking industry. At UBB, we know these types of changes can be confusing and even overwhelming at times, so I want to remind you all that UBB has taken a leadership role with instant payments since day one, working directly with the Fed to grasp a clear understanding of what instant payments are and the impact they will have on the community banks we serve. Our team is extremely knowledgeable on this topic, and I encourage you to reach out to us with any questions or concerns you have. Ensuring your bank has the information and confidence to enter this new payments realm is our number one priority, and at UBB, we are always *First for Your Success*.

UBB and Pidgin from pg 1

UBB's collaboration with Pidgin brings numerous benefits to banks and their customers. By integrating Pidgin's payment platform with its existing systems, banks can empower their consumer and business customers to initiate and receive instant payments smoothly. Whether paying bills, transferring funds to family and friends, or conducting business transactions, individuals and businesses can now enjoy the convenience of real-time payments, thus enhancing financial flexibility and efficiency.

One notable aspect of UBB's partnership with Pidgin is its comprehensive suite of services in conjunction with FedNow. As part of our offering, a consumer mobile app can be integrated into an existing mobile banking app or used independently. This app allows individuals to send and receive instant payments effortlessly. Additionally, a dedicated portal is designed exclusively for businesses equipped with all the tools and functionalities to fully embrace and leverage the advantages of instant payments. The tailored business portal allows enterprises to streamline their transactions and maximize the benefits of instant payments.

UBB recognizes that ideal payment experiences require more than just the ability to make instant payments. UBB provides settlement services to ensure that transactions are swiftly processed and settled, reducing friction and providing a seamless end-to-end experience for banks and their customers. This integrated approach streamlines the payment process, making it more efficient and transparent.

UBB also offers liquidity management services to its customers for FedNow. The availability of real-time payments creates a new dynamic in managing liquidity. UBB is committed to providing its customers with the tools and expertise to optimize their liquidity positions. By leveraging UBB's liquidity management services, banks and their customers can make informed decisions, ensure that funds are effectively allocated, and maximize financial resources.

Security is a top priority for UBB and Pidgin. The collaboration ensures that robust security features for FedNow are integrated into the payment platform, including transaction limits, geography limits, velocity limits, and behavioral analytics to protect against unauthorized access and potential fraud. By setting appropriate limits and closely monitoring transaction activities, UBB and Pidgin provide a secure environment for real-time payments, giving UBB customers peace of mind.

The UBB and Pidgin partnership not only equips banks and their customers with instant payments but also fosters a culture of innovation and adaptability. The collaboration enables banks to stay ahead in a rapidly evolving payments landscape by leveraging the cutting-edge capabilities of Pidgin's platform and the transformative potential of FedNow. By embracing this partnership, banks can deliver enhanced services to their customers, meet their evolving needs, and remain competitive in an increasingly digital world.

UBB's partnership with Pidgin represents a significant milestone in the evolution of payment solutions. It's clear that FedNow is a game-changer for the banking industry, and by harnessing the power of FedNow, UBB enables banks and their customers to access instant payments, transforming the way transactions are conducted. With seamless integration, comprehensive services including settlement and liquidity management, and a steadfast commitment to security, UBB and Pidgin deliver a next-generation payment experience. As the world continues to embrace instant payments, UBB's collaboration with Pidgin positions banks and their customers at the forefront of the digital payment revolution, empowering them to transact with speed, security, and efficiency. Through UBB's settlement services and liquidity management offerings, customers can optimize their financial operations and make well-informed decisions. UBB and Pidgin are paving the way for a future where instant payments are the norm and enabling banks and their customers to thrive in the digital economy.

pidgin

FedNow 24/7 INSTANT PAYMENTS

Live Webcast!

Join UBB as we officially launch our Pidgin Instant Payment Solution

-Live Pidgin Demo

-Live Q&A

-Live Prize Drawings

Register Today!

Scan the QR Code or visit:

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https://qrco.de/pidginwebcast

United Bankers' Bank
Call Report (unaudited)
6/30/2023

Balance Sheet (000's)

Assets:	
Cash and Due from Banks	$ 202,473
Investments	$ 184,789
Fed Funds Sold & Securities Purchased Under Agreement to Resell	$ 51,964
Loans	
Outstanding	$ 753,120
Loss Reserve	$ (12,450)
Other Assets	$ 43,191
TOTAL ASSETS	$1,223,087
Liabilities and Capital:	
Deposits	$ 653,828
Fed Funds Purchased	$ 312,002
Other Liabilities	$ 136,504
Equity Capital	$ 120,753
TOTAL LIABILITIES & CAPITAL	$1,223,087

INCOME STATEMENT (YTD)

Interest Income	$ 23,835
Interest Expense	$ 13,766
Net Interest Income	$ 10,069
Loss Provision	$ 136
Net Interest Income (After Provision)	$ 9,933
Other Income	$ 11,254
Total Income	$ 21,187
Operating Expenses	$ 16,494
Securities Gains (Losses)	$ –
Net Income Before Taxes	$ 4,693
Tax	$ 1,197
NET INCOME	$ 3,496

Employee Spotlight

Alan McLean

Senior Vice President, Operations Director
952-885-9472 • alan.mclean@ubb.com

Family Members: Wife – Jennifer, Two sons - Joey (15) and Riley (11).

Pets: Tabby cat - Clark.

What do you listen to on your drive to work: Talk Radio (news).

Interests: Frisbee golf, Football, and yard work.

If I could live anywhere in the world, I would live in: Greece for its rich history and old world architecture.

If I could have one super power (besides flying), it would be: Breathing under water.

Many people don't know that: Played the trumpet growing up.

If I was not working in banking, I would: Work in construction. I like to build things and work with my hands.

I started working at UBB in: August 2022.

My favorite part of working for UBB: Everyone is working for our customers' best interest.

The best advice I ever got was: Don't ever stop learning. It helps everyone around you.

First For Your Success means: UBB strives to assist our customers in achieving their goals.

Alan and Joey at Alabama Crimson basketball game.

Jennifer, Riley, Joey and Alan vacationing in New York City.

Alan with sons, Joey and Riley at Alabama's Orange Beach.

Breaking the Cycle: How the CFPB is Attempting to Put an End to Abusive Acts and Practices

By Sandy Panella, Assistant Vice President, Compliance Consultant

On April 3, 2023, the Consumer Financial Protection Bureau (CFPB) issued a policy statement that outlines the components of abusive acts or practices and establishes the foundation for regulatory oversight and enforcement. This policy may ring a bell, as the CFPB released a statement about abusive conduct in 2020, only to have it rescinded in March 2021 by the CFPB's acting director.

You may remember that following the 2007-2008 financial crisis, primarily triggered by predatory lending, Congress passed the Consumer Financial Protection Act of 2010 (CFPA), making abusive conduct illegal. Government agencies have taken extensive enforcement and supervisory actions since implementing the CFPA.

By issuing this policy statement, the CFPB aims to condense these measures and elaborate on how the agency evaluates the components of abusive behavior by providing pertinent examples. The goal is to provide a structured framework for other government enforcers and the marketplace to recognize and address violative acts or practices.

The CFPA characterizes abusive behavior as an act or practice that either materially interferes with a consumer's ability to understand a term or condition relating to a consumer financial product or service or takes unreasonable advantage of certain circumstances.

The first prohibition on abusiveness, "material interference," obstructs consumers' comprehension of terms and conditions and can be intentional, as a natural consequence, or by actively impeding understanding. There are various forms in which interference can occur, including burying information within disclosures, interfering physically or digitally, overshadowing, and manipulating consumers' comprehension by other methods.

The second form of "abusiveness" prohibits entities from taking unreasonable advantage of circumstances such as a consumer's

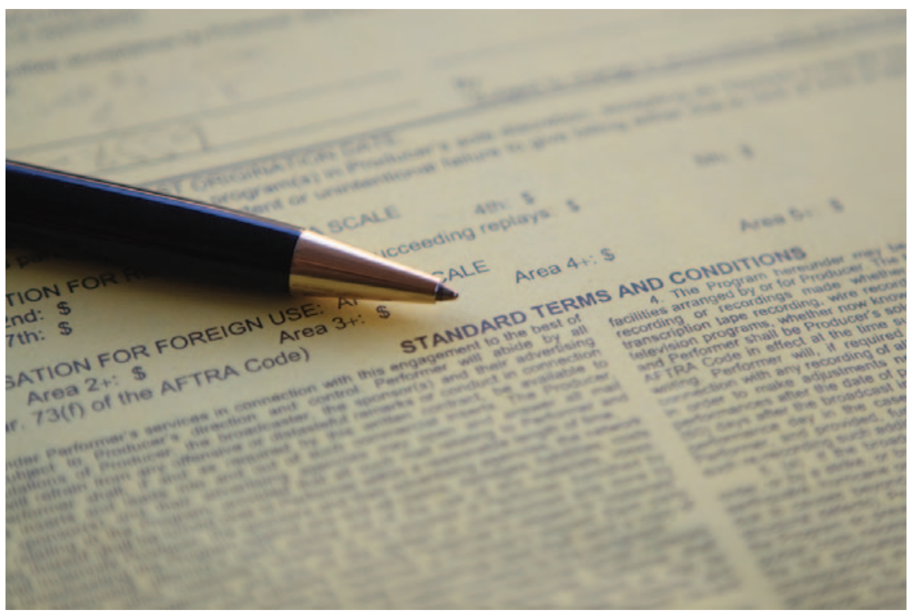
1. lack of understanding of the material risks, costs, or conditions of the product or service; or

2. inability to protect their interests when selecting or using a consumer financial product or service; or

3. reasonable reliance on a covered person to act in their interests.

The critical point is that an act or practice can be considered abusive by falling under a single category. Still, it can also fit into multiple categories simultaneously.

Banks under the purview of the CFPB need to recognize the abusiveness policy statement as a signal of the CFPB's priorities with respect to its enforcement and oversight powers.



For more information on this and other policies by the CFPB, contact UBB's Compliance Services complimentary hotline at compliance.hotline@ubb.com.

Sandy Panella, Assistant Vice President, Compliance Consultant • 989-640-2701 • sandy.panella@ubb.com

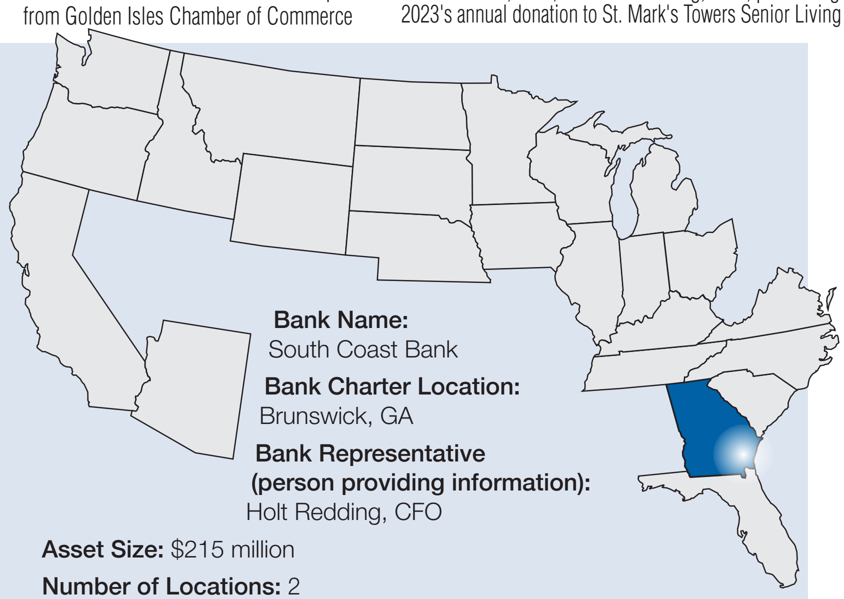
Keeping the *Community* in Community Banking

South Coast Bank • Brunswick, GA

Settled on Georgia's southeast coast, Brunswick is rich in history and natural beauty. South Coast Bank, located in downtown Brunswick and St. Simons Island, has served its community's financial and philanthropic needs since 2009. We sat down with Holt Redding, CFO, to learn more about how South Coast Bank is *Keeping the Community in Community Banking*.

Small Business of the Month award recipient from Golden Isles Chamber of Commerce

Al McKinnon, CEO, and Holt Redding, CFO, presenting 2023's annual donation to St. Mark's Towers Senior Living



Bank Name: South Coast Bank

Bank Charter Location: Brunswick, GA

Bank Representative (person providing information): Holt Redding, CFO

Asset Size: $215 million

Number of Locations: 2

Number of Employees: 27

Year Bank was Incorporated: 2009

City Population: City 14,629, Glynn County 84,739

What is your community most known for?

Brunswick and St. Simons Island are known as the Golden Isles due to the natural beauty, mild weather, and radiance of the marshes that encompass our area. Downtown Brunswick is known for its historic "squares" dating back to the early 1800s. Fort Frederica on St. Simons Island was once a British colony in the early 1700s. The Golden Isles experiences high tourist traffic year-round for vacationers and "snowbirds." The Brunswick Port is the nation's second busiest port for total roll-on/roll-off cargo.

How is your bank involved in the community, and what programs does your bank have to encourage community involvement?

South Coast believes working within the community is one of the most distinguishing characteristics of a community bank. Our board of directors and employees are part of local organizations like Communities in Schools, where we have the privilege of mentoring local students on financial education and what to expect beyond high school. Our team is involved with Keep Golden Isles Beautiful, a group invested in maintaining the beauty and safety of the wildlife on our coastlines.

What makes community involvement important to you and your bank?

If we are only a place for someone to complete a transaction on the way to their next destination, then we view that as a failure to the community. We strive to make a personal connection, understand our customers' likes and dislikes, and learn how to meet their needs. This commitment is how we build relationships and how community banks can aggressively support growth and prosperity.

What do you like best about your community?

This community is constantly in motion and works to make it a great place to live - not just a great place to visit. From schools to small businesses to the Brunswick Port, our community focuses on creating a better place than how we found it.

What do you like best about being a community banker?

I truly feel our customers believe we are not just a bank that sees them as an account number. We strive to show our customers that we are a trustworthy, reliable, and reputable place that can meet their financial needs. Whether it's growing their business, buying their first home, or opening their child's first savings account – we step in and help fill the knowledge gap. Seeing our customers grow with us is a privilege I believe every community banker gets to experience.

Holt Redding, CFO, Al McKinnon, CEO, and Tommy Bryan, Director, playing in the Boys & Girls Club Golf Event on Jekyll Island, GA

I ❤ Community Banking Update

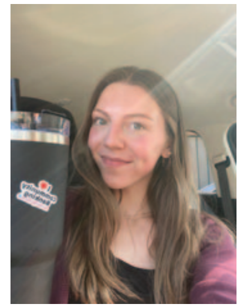
Congratulations to the first winners of our I ❤ Community Banking decal and giving back contests.

- Decal Contest: Caitlin Goette of Merchants Bank in Winona, MN, who received a $25 VISA Gift Card

- Giving Contest: Citizens First Bank in Clinton, IA - $250 donation to Make-A-Wish Iowa was made on behalf of Citizens First Bank

Remember, you can still win by using #communitybanklove on posts about where your bank is helping in the community or by emailing ubb.marketing@ubb.com with how you are using your I ❤ Community Banking Decals.

And don't forget to check out how other banks are helping their communities by searching #communitybanklove on Facebook and LinkedIn!



Caitlin Goette, Merchants Bank

Q&A from UBB Partner, RiskScout

By RiskScout

Q: How does the legalization of recreational marijuana in my state impact community banks?

A: One of the foremost challenges lies in the financial management of marijuana-related businesses. Currently, there are no dedicated federal banking regulations tailored to the marijuana industry. Consequently, banks are required to forge their own path when it comes to extending financial services to these businesses. To effectively cater to this niche, banks must establish comprehensive compliance measures and formulate procedures to tackle the unique risks involved. Even if they do not intend to directly serve cannabis-related businesses, updating their policies and procedures accordingly becomes imperative.

To find out how RiskScout can help your bank effectively enter marijuana banking and other new growth markets, visit www.ubbrequest.com

SCAN ME

Announcements

UBB Welcomes

Katharine Sanchez started with UBB in July as a Human Resources Consultant in USource HR Consulting Services. Katharine will be based in the Bloomington office and has over 3 years of Human Resources experience.

Andrew Tracey, Vice President – Lending, came to UBB with over 14 years of experience in the finance industry and 11 in commercial lending and credit analysis. He will be based out of Alpena, Michigan and serving the lending needs of community banks in Michigan, Indiana and Northwest Ohio.

UBB in the Community

UBB employees volunteered in the warehouse of The Open Door Food Pantry in Eagan, MN by stocking shelves for the evening market. In coordination with the volunteer event, UBB held a food drive for the pantry.

Federal Reserve Certifies UBB as Ready for FedNow Service

The Federal Reserve announced that UBB, one of 54 early adopter organizations, including financial institutions and processors, has completed formal testing and certification to offer services now that the FedNow Service has launched. Visit www.ubb.com/news for more on this exciting achievement.