

This Issue:

- 1-3 P2P Payment Technology
Specifically Designed By
and For Community Banks**
- 4 Employee Spotlight
J Arlt**
- 5 Get to Know:
UBB Investment Operations**
- 6 Keeping the Community
in Community Banking**
- 7 Bank Valuations
Remain Strong**



P2P Payment Platform Specifically Designed for Community Banks

If you own a smartphone, there is a high probability that you've used a Peer to Peer (P2P) payment service or at minimum, heard about the several P2P providers. P2P payments is one of the fastest growing technologies in the financial industry offering consumers both convenience and simplicity in conducting payments to friends, family members, co-workers and fantasy football league managers, among many others. The growing demand from today's generation of smartphone dependent consumers calls for everything they do on their devices to be fast, easy and secure; this demand does not exclude P2P payments. A number of competitors reside in the P2P space. Some are tech companies providing solutions that bypass the traditional legacy payment infrastructure altogether, some are core system providers offering a payment solution integrated into their mobile banking applications, and another is composed of some of the largest institutions in the U.S., whose platform is designed with large banks and credit unions in mind.



Seeing an opportunity to provide an underserved market of small and medium sized community banks with a simple, affordable and secure P2P payment option that would keep banks in the payment infrastructure, United Bankers' Bank (UBB) partnered with Twin Cities Minnesota based community bank, North American Banking Company (NABC), and a St. Paul Minnesota based software

ExcheQ continued pg 2

Dwight Larsen named new President and CEO



On August 13th, United Bankers' Bank announced Dwight Larsen as the new President and CEO, assuming the role previously held by William "Bill" Rosacker. He will be the third president to lead UBB since it was established in 1975 as the nation's first

bankers' bank.

Larsen comes to UBB with more than 30 years of experience in bank management, regulatory affairs, and education. He served at UBB previously from 2000 to 2016 overseeing the BankValue Advisory Services team along with managing UBB's professional Consulting Services division.

Most recently, Larsen served as a national bank examiner with the Office of Comptroller of Currency (OCC), a position he also held from 1986 until 2000. In his examiner role, Larsen worked with banks of every size and every level of management and operations while expanding his knowledge in risk management and corporate governance.

Larsen is actively involved with the Graduate School of Banking at the University of Wisconsin – Madison where he has been faculty member since 1998. He also serves as a member of the Curriculum Advisory Committee where he oversees the asset-liability and enterprise risk management sections for first-year bankers and is a former faculty representative on the Board of Trustees. Larsen's community involvement has included teaching Sunday school and coaching youth basketball, soccer and softball.

Dwight's tenure officially started on Monday, August 26th.

development company, Design Center Inc., to form ExcheQ LLC and offer the P2P payment solution, ExcheQ.

Developed and Priced with Community Banks in Mind

ExcheQ is a smartphone based P2P payment app that uses same-day ACH payment processing, enabling community bank customers to quickly and securely send money effortlessly from one bank account to another, often on the same day. Unlike some P2P payment providers, the app is not required to receive payments and there are no fees to community bank customers to send or receive money.

UBB provides the P2P payment platform to community banks, who offer it to their own customers. Chances are, if your bank hasn't already received a P2P service included as a packaged deal by its mobile banking provider, you've been researching the various options currently in the market place. In your research it's likely that you found the process to be a little frustrating, complete with murky pricing, a multitude of fees, long implementation schedules and even some outright sticker shock at the quotes you may have received.

The ExcheQ app was developed with community banks in mind. From the platform's utilization of a bank's existing ACH payment infrastructure to its affordable pricing, the needs and budgets of community banks have been at the forefront of the app's development.

Compatible with all core ACH processing systems, ExcheQ provides app users with the benefits of faster payments, same day settlement and quick setup and implementation. ExcheQ's pricing is transparent, simple and based on a tiered pricing scale corresponding to a community bank's asset size. The total costs consist of a one-time licensing fee, a one-time platform set-up fee and a low monthly fee. In addition, ExcheQ does not

charge transaction fees to your customers to send or receive money.

Benefits of Not Integrating into Your Core System

As bankers, for decades we've been told time and time again that everything should integrate into our bank's core system. Core integration generally provides the benefits of efficiencies such as streamlining processes, connecting multiple tools and sources and pooling data among many others. However in the case of P2P payments, ExcheQ is an example of the opposite.

Using a commonly bundled P2P payment application as an example, the following steps highlight the average click path and number of steps required to initiate a payment through the platform's app when it is integrated into a bank's mobile banking app and core banking system:

Step #1 - The user must log into their bank's mobile banking account, using their user name and password.

Step #2 - The user selects the account from which they would like the payment to be taken, usually their primary checking account.

Step #3 - The user selects an option in the mobile banking app to "transfer & pay."

Step #4 - The user selects the option to "Make and manage payments."

Step #5 - The user is prompted with the option to access the integrated P2P payment service.

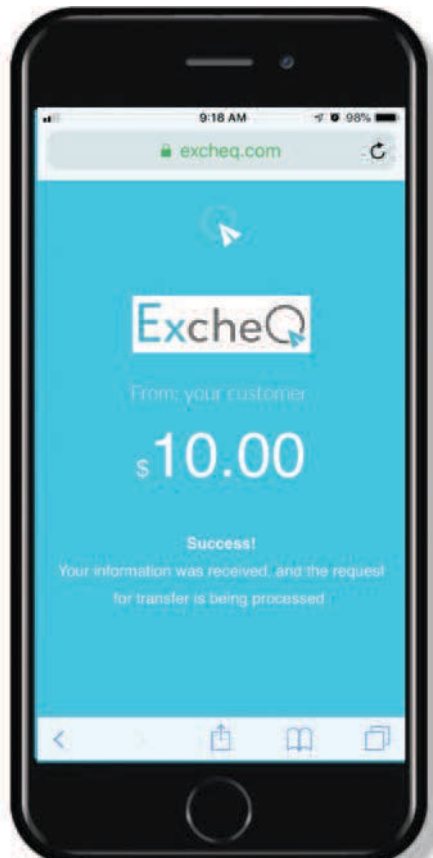
Step #6 - The user selects the option to pay someone.

Step #7 - The user enters the payee's information (contact information, amount of payment, date of payment, and message of reference). Depending on the institution, payment may be

delivered the next day or standard three days.

Step #8 - The users receives a summary of payment and selects "pay" button to officially initiate the payment.

While the official number of steps varies by institution, the fact remains that many P2P payment providers bill themselves as simple and fast, yet the step by step description of the average payment process details the contrary. This combination of numerous steps to initiate a payment along with varying payment delivery times are major factors in a lack of adoption and usage by community bank customers.



One of the key benefits of the ExcheQ app is its simplicity and standalone infrastructure which can be illustrated by the following step by step process to initiate a payment.

Step #1 - The user enters their unique passcode to access the app.

Step #2 - The user then enters the amount of money they would like to send.

Step #3 - The user enters in their payment information and the payee's contact information.

Step #4 - The user is prompted with a payment summary screen where a note or photo can be added to describe or support the payment.

Step #5 - The user will receive a prompt asking them if they would like to send the payment notification thru text message, email or both. Once a method has been selected a confirmation will appear stating that the payment has been sent.



Safe and Secure – P2P Payment Peace of Mind

One of the most common obstacles to P2P payment adoption is security. The ExcheQ payment platform utilizes one of the banking industry's tried and true payment standards, ACH. When a bank customer sends a payment thru the ExcheQ app, they are sending a secure bank-to-bank ACH transaction. With no credit cards or third party holding accounts, bank customers will be assured that their personal account information is safe. In addition, customer transaction data isn't stored, providing an added amount of confidence in the safekeeping of their account information. Along with the app's safety, there are safeguards in place for the bank as well, such as the ability to manage customer usage and set individual payment limits.

Customer Portal Management and Support

Another convenient feature of the ExcheQ platform is its bank and customer management portal. This web-based portal will provide community banks with a secure interface to enroll their customers into the app, manage user passcodes and set custom payment limits. In addition to the portal, community banks enrolled in the ExcheQ platform will also receive access to professionally designed marketing collateral that can be customized with the institution's logo and contact information and used to promote the ExcheQ app to bank customers. Best of all, in the event the community bank has any questions or needs assistance with the ExcheQ platform, a friendly customer service representative is just a phone call away.

Community Bank Customer Retention and Growth

As the methods used to conduct payments continues to evolve, it is important to position your bank as innovative and forward thinking. The growth in the usage of P2P payments is fueled by the fact that it presents a fast and easy way to move money. P2P will be at the forefront of customer retention as your current and future customer bases seek out a convenient

way to conduct their payments. If your bank's growth strategy is focused on retaining and strengthening your customer relationships, then a P2P solution should be included in your strategic plans.

ExcheQ – The Safe and Affordable P2P Payment Alternative

The ExcheQ app was officially launched in August and UBB is currently enrolling community banks into the platform. With its combination of user friendly design, efficient payment structure and community bank friendly pricing, the ExcheQ app was developed to be as simple and easy as possible, including the decision to offer it. To learn more about the ExcheQ app or request pricing, visit www.ubb2p.com.

United Bankers' Bank
Call Report (unaudited)
6/30/2019

Balance Sheet (000's)

Assets:

Cash and Due from Banks	\$ 80,363
Investments	\$ 30,608
Fed Funds Sold & Securities Purchased Under Agreement to Resell	\$ 62,895
Loans	
Outstanding	\$ 637,418
Loss Reserve	\$ (8,666)
Other Assets	\$ 32,594
TOTAL ASSETS	\$ 835,212

Liabilities and Capital:

Deposits	\$ 610,139
Fed Funds Purchased	\$ 114,339
Other Liabilities	\$ 7,424
Equity Capital	\$ 103,310
TOTAL LIABILITIES & CAPITAL	\$835,212

INCOME STATEMENT (YTD)

Interest Income	\$ 17,005
Interest Expense	\$ 4,822
Net Interest Income	\$ 12,183
Loss Provision	\$ 779
Net Interest Income (After Provision)	\$ 11,404
Other Income	\$ 7,740
Total Income	\$ 19,144
Operating Expenses	\$ 16,262
Securities Gains (Losses)	\$ -
Net Income Before Taxes	\$ 2,882
Tax	\$ 730
NET INCOME	\$ 2,152

Employee Spotlight

J Arlt

Vice President, Correspondent Banking Officer
605-228-0581 • j.arlt@ubb.com



Family Members: Two Sons, Logan 17 and Jden 10.

Pets: 1 dog

What do you listen to on your drive to work: Sirius XM 80's on 8 or 90's on 9.

Interests: Photography, Amateur (Ham) Radio and, most importantly, spending time with the kids.

If I could live anywhere in the world, I would live in: Hungary, I wouldn't mind going back there.

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

Many people don't know that: My first name is truly only one letter.

If I was not working in banking I would: Get back into the military and finish out my 20 years.

I started working at UBB in: May 2019.

My favorite part of working in banking is: Finding solutions for our customers when they think one is not available.

The best advice I ever got was: "Shut up and listen".

First For Your Success means: Putting the needs of our customers ahead of our own.



J with sons by their new car



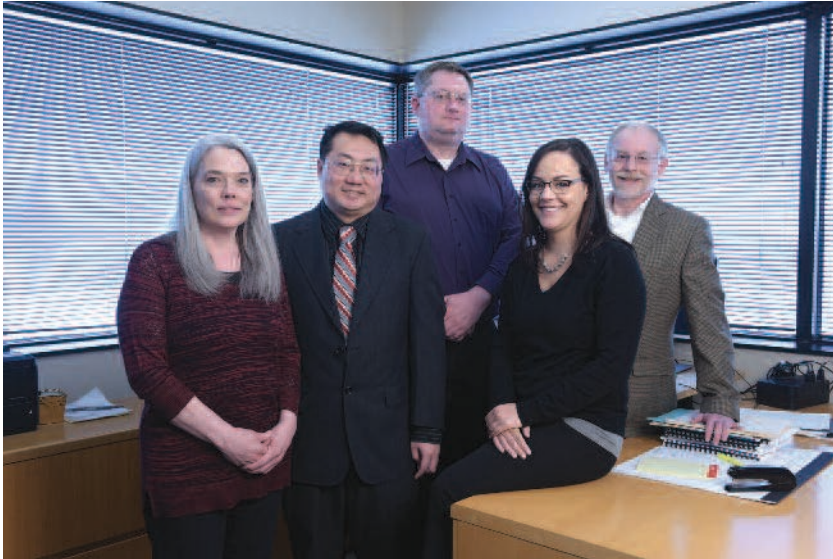
J with sons Logan and Jden

Get to Know: UBB Investment Operations

The UBB Investment Operations department is an example of when industry knowledge and expertise are combined with cutting-edge technology. This team of operational professionals specializes in providing community banks with innovative Bond Custody (payment processing, pledging, and trade clearance)

and Portfolio Accounting solutions, in addition to maintaining UBB's proprietary online securities management customer portal, UNITY.

Take a minute to get to know the UBB Investment Operations team.



Investment Operations Team led by David Kvist, Assistant Vice President, Investment Operations Manager

Left to Right: Joelle Westergard, David Kvist, Erick Ondich, Kaelyn Nevils, Mike Garrity

Not pictured: Stephanie Hornberger

Follow Us on Facebook to Win a Drone!



How to Enter:

1. Be sure you have liked UBB's Facebook Page
2. Visit www.ubbrequest.com to Complete the Entry Form

@UnitedBankersBank

Deadline to Enter is October 31, 2019
UBB Employees and their family members are not eligible to win.



Keeping the *Community* in Community Banking

Tri-County Bank • Brown City, Michigan

Just a short 90 minute drive north of Detroit, lies the town of Brown City, MI. Residing in the heart of Brown City's beautifully renovated downtown, Tri-County Bank has been serving the residents of Brown City and surrounding communities for over 130 years by adhering to a team pledge of allegiance to customer satisfaction, employee camaraderie and shareholder value. To learn more about Tri-County Bank, we interviewed the bank's President and CEO, Michael Ford, to find out how they are *Keeping the Community in Community Banking*.

What is your community most known for?

The Sanilac County and the Brown City area continue to be deeply rooted in farming and agriculture. The area is also home to over 100 Amish families and because of this, horse & buggies are routinely seen on Main Street (we have a hitching post at our main office).

How is your bank involved in the community?

We're involved in every way possible. We serve on non-profit boards and are involved with, and support our area schools. We give scholarships, and our employees coach teams, volunteer, teach and mentor. In addition, we give back through donations, time and talents to many worthy organizations and causes throughout our footprint. Recently we helped establish the Thumb and Blue Water Area CRA Association which has six (6) local banks as members. Our Community Reinvestment Act (CRA) record is strong, and this group helps take it to the next level as we collaborate to better serve those most in need.

Do you have any goals or programs in place to encourage bank employees to be active in the community?

Community Service is strongly encouraged and expected, but the desire to perform community service must be genuine to be successful. I believe one of the reasons we are as strong as we are in this area is because it's *not* forced or incentivized.

What makes community involvement important to you and your bank?

I believe banking is all about helping people by respecting them, treating them right and helping them realize their financial needs. Community involvement and community service naturally follow this belief.



Capac Days Community Appreciation Event



Tri-County President, Mike Ford



Tri-County Team from Peck Office



Tri-County Marlette Team



Bank Name:

Tri-County Bank

Bank Charter Location: Brown City, MI

Bank Representative: Michael Ford, Pres & CEO

Asset Size: \$310 million

Number of Locations: 11

Number of Employees: 90

Year Bank was Incorporated: 1889

City Population: 1,249

What do you like best about your community?

The people... The shared history and success stories... The pride that our friends, neighbors and business people have for the small towns they call 'Home'. The fact that as community bankers we can make a strong, positive and sustainable difference in the lives of others and in the communities we serve.

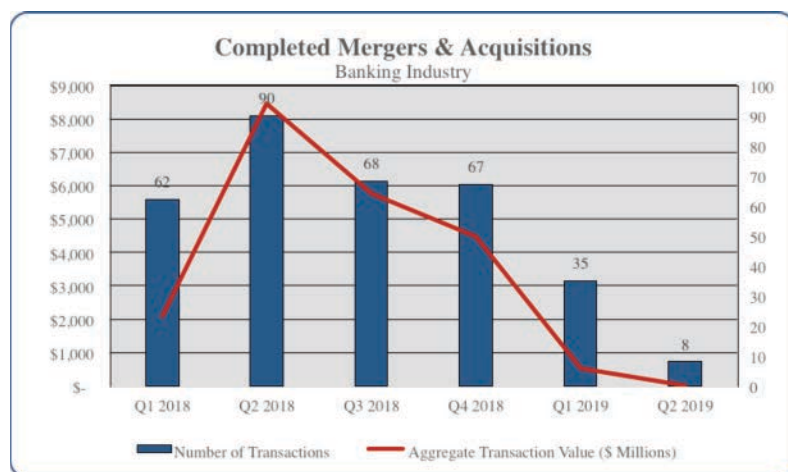
What do you like best about being a community banker at Tri-County Bank?

I love our commitment to growth while remaining an independent, community bank. At a time when others are leaving their local communities, closing branches and "merging" their way to profits, Tri-County Bank has invested in a new corporate headquarters located in the heart of downtown Brown City, keeping 40 jobs there. We have recently provided the village of Kingston a community bank they can be proud of, and we are bringing community banking to the area of Romeo by building a new branch in their downtown area.

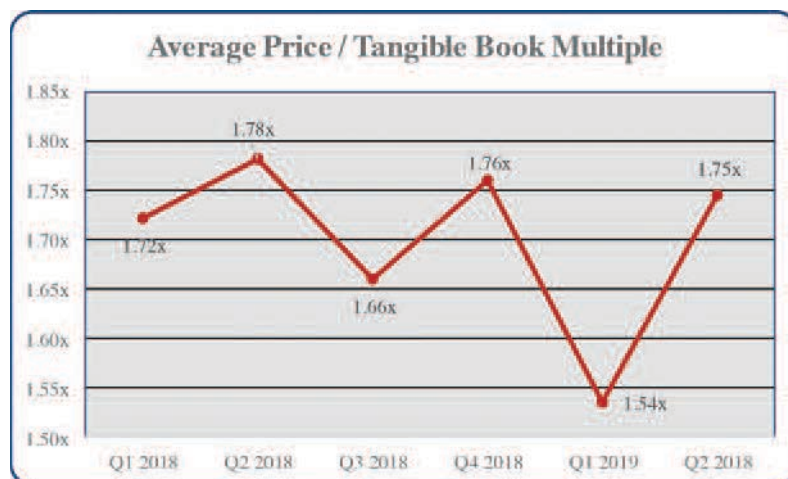
Bank Valuations Remain Strong

By Ed Usalis, BankValue Advisory Services

There is no doubt that merger and acquisition (M&A) activity remains strong among community banks. In the first half of 2019, the banking industry saw 43 completed mergers or acquisitions. However, this level of M&A activity pales in comparison to the 152 transactions that were completed in the first half of 2018. The “Completed Mergers & Acquisitions” chart highlights this trend and provides a summary of the transaction volume from each of the last six quarters.



Even with the reduced transaction volume, valuation multiples have remained strong and reflect an abundance of buyers. The “Average Price/Tangible Book Multiple” chart presents the price to book multiples that were observed over the last six quarters.



Despite these strong valuation multiples, the characteristics of recent community bank transactions have changed.

First, community banks with less than \$500 million in total assets should maintain realistic valuation expectations. Many of the attention grabbing acquisition announcements have involved banks with more than \$500 million in total assets. The higher multiples for these larger transactions likely reflect

a belief that economies of scale and associated cost savings will be more easily realized in a much larger combined institution.

Second, given the increased competition for deposits, many community banks now consider acquiring deposits to be an attractive alternative to organic growth. This trend was exacerbated in 2018 by rising interest rates. As a result, acquirers have ascribed greater value to those banks with less rate-sensitive funding bases.

Finally, there has been a growing trend amongst acquiring banks, who are moving away from all cash transactions. We’ve seen over the last several quarters, an increase in the number of transactions where the buyer’s stock has been utilized for part or all of the consideration. Through the use of their own stock, buyers are able to share some of the post-transaction risks that are associated with an acquisition, with the selling institution.

While valuation multiples remain strong, the unique characteristics of each transaction can greatly impact the reported valuation multiples. As community banks continue to consolidate, understanding the distinct motivations of buyers and sellers will be necessary to ensure a successful transaction that maximizes shareholder value.



For more information on BankValue Advisory Services, contact Ed Usalis, Vice President, BankValue at **952-886-9525** or **Ed.Usalis@ubb.com**.



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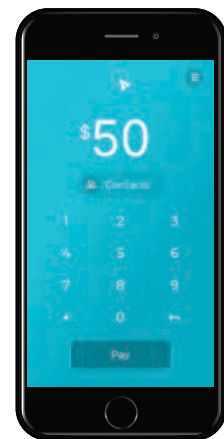
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products and services, please
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The Safe and Affordable P2P Alternative.

ExcheQ[®]

Now Enrolling Community Banks

ExcheQ is a smartphone app-based payment service that allows your community bank customers to send personal payments to their friends and family members. ExcheQ effortlessly moves money from one bank account to another, often on the same day with no fees. Best of all, the app works with all ACH processing systems.



Request pricing information:
Visit: www.ubbp2p.com



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