First for Your Success™

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

Independent

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This Issue:

The Role of Your Insurance Partner in the Event of a Cyber Incident

By Insurance Strategies, Inc.

We all have faced this dilemma. I have a small "ding" in my car. Should I file a claim with my insurance company or not? If I file a claim, will I see a significant premium increase at my next renewal?

Cyber insurance is different.

Let us take a ransomware situation as an example. Your bank receives an email from Badguy@yahoo.com. The email states that your bank's servers have been compromised and encrypted, and unless you pay a $2 million ransom in Bitcoin within 48 hours, private and confidential customer data will be released, and the ransom will double.

Under your bank's cyber insurance policy, this is known as a first-party cyber event (as opposed to a third-party event, which means a third party is suing you), and you need to notify your agent and insurer immediately.

Engage your carrier and its experts.

Your insurance company is skilled in dealing with ransomware and cyber breach events and has partnered with vendors with expertise in dealing with your organization's specific threat.

Notify your carrier's cyber claims unit.

Your insurance carrier will have a dedicated cyber claims line, staffed 24/7, to respond to cyber incidents. Be sure your incident response team has access to your carrier's cyber claims contact information.

Insurance Partner continued pg 2

Dwight Larsen A note from the President

As we transition into the vibrant colors of fall and close the 2023 event season, I want to thank everyone I had the opportunity to meet and visit with UBB-hosted events, banking association conventions, and personal bank visits so far this year. One of the best parts of my job is building new relationships and learning about the unique characteristics of the communities our bank customers serve. Community banks are like fingerprints - no two are the same - and that is one of the many things that make our industry so great.

The banking landscape is constantly evolving. To maintain a competitive edge and protect the interests of our banks and valued customers, we must stay ahead of the curve. The digital age ushers in tremendous conveniences and opportunities while exposing us to new risks. The increase in sophistication of cybercrimes threatens the security of financial institutions and their customers' sensitive information. Cyber insurance acts as a safeguard by providing financial protection and resources to recover from cyberattacks. By investing in these vital policies, we prove our commitment to protecting our institution's economic well-being and maintaining our customers' trust. We must focus on cybersecurity measures and understand the specifics as well as the coverage of our bank's cyber insurance policy. This edition's cover story comes from our partner, Insurance Strategies, Inc. It provides insight into the processes and protections related to cyber insurance as well as what is critical to consider during a cyberattack.

Our responsibility as employers is to ensure we are compliant with the ever-changing employment laws and regulations. The legal landscape surrounding employment matters can be complex and requires ongoing diligence. Staying updated in legislation and providing comprehensive employee training programs that foster a culture of compliance are a few ways we can promote a safe, inclusive work environment. This will mitigate legal risks and enhance your bank's reputation. Our USource HR Consulting Manager, Karen Von Guten, outlines the State and Federal Employment Law posters and how to use these updates to create policies and employee handbooks.

Customers expect immediate access to their funds and real-time payments in today's fast-paced world. The Federal Reserve's FedNow Service is revolutionizing the payment system by enabling immediate fund availability 24/7/365. Becoming a FedNow participant positions your institution at the forefront of this exciting advancement and allows your customers the benefits of instant payments. While demonstrating your commitment to meeting the evolving needs of your customers, your bank can strengthen its competitive advantage, and position itself as a leader in the industry. For more on this topic, hear from our guest contributor, Payments Professor Kevin Olsen, in this issue's Q&A section.

Traci Kaske started as a Senior Human Resources Consultant in our USource department earlier this year. Learn more about Traci in this issue's employee spotlight on page 4, then flip over to page 6 to find out how Providence Bank & Trust in South Holland, IL, is Keeping the Community in Community Banking.

As we enter the holiday season, UBB appreciates and is thankful for the over 1,000 community banks we serve. Thank you for the opportunity to be your correspondent of choice. As always, United Bankers' Bank is *First for Your Success.*

First steps.
Your carrier will immediately appoint a Breach Counsel or Project Manager to oversee the cyber event. Within a brief time, your Breach Counsel will initiate a scoping call where you will review the extent of the damage against your organization and if data was compromised, where the attack originated, the status of your backups, ransom demands, and other factors involved with the appropriate representatives of your organization. Typically, you would want to include your head of IT, one or more key decision-makers such as your bank President, CEO, or COO, and a customer liaison representative.

Next steps.
After the scoping call, your Breach Counsel will consult with their industry experts. These firms are skilled and experienced in dealing with all types of threat intelligence, including the type your bank is facing. These experts will validate whether the threat is real and determine what diagnostic or corrective actions need to be implemented. The fraudsters want to use time against you and will use a variety of pressure tactics to push you to make a hurried, reactive decision. Your carrier is familiar with these tactics and will advise you accordingly.

To pay or not to pay.
Your board and senior management should discuss ahead of any ransomware incident whether the bank will pay a ransomware demand. One factor to consider is that all organizations are prohibited from paying individuals or entities on the OFAC SDN List. But what about fraudsters that are not on that list?

With viable backups allowing the bank to restore its systems and recover its data, insureds are encouraged not to pay. A ransomware incident involving encrypted data will trigger the need to notify customers of a potential breach whether or not you pay a ransom to the bad actors. Plus, not all fraudsters will provide decryption keys after a ransom is paid, thus opening the door for repeated monetary demands even if you pay the initial demand.

What expenses are covered by cyber insurance?
Not all cyber policies are the same, so your bank should review its policy carefully. Many of the following expenses may be covered (subject to the policy retention or deductible):

- attorney costs to determine obligations under breach notice laws
- computer security expert and forensic investigator costs to determine the extent of the suspected breach
- costs to notify impacted individuals
- credit monitoring expenses
- call center services
- data recovery costs
- ransomware payments
- business income loss / extra expenses
- reputation loss
- regulatory defense expenses

Best practices to prevent a ransomware attack.
The following are tools to strengthen your bank's protection against a ransomware attack:

1. **Reduce Authentication Risk.** Consider implementing the following to lower the risk of compromised credentials across network users:

   - **Stronger Minimum Password Length requirements for network users.** Non-administrative users should have 14-character minimum complex passwords, and administrative-level users should have password requirements of at least twenty-four characters.
   - **Multi-Factor Authentication (MFA).** At a minimum, privileged accounts, such as network administrators, should be required to authenticate with MFA. The wider the deployment of MFA throughout your institution, the better.
   - **Credential Management Tool.** With the ever-increasing number of credentials that users must manage, consider a Credential Management tool to improve the strength of passwords and reduce your users' reused passwords.

2. **Implement with Least Permission.** Restrict user permissions to the level of the duties of the job only, limiting network access to potential attackers.

3. **Increase Network Visibility.** Implement Security Incident Event Monitoring (SIEM) for faster analysis during a crisis. In addition, implement an Endpoint Detection and Response (EDR) or Managed Detection and Response (MDR) platform to monitor the network 24 x 7 for suspicious activity and to isolate endpoints with potential threats. Such tools will dramatically reduce the response time to an incident and stop an unpleasant situation from worsening.

4. **Employee Education.** The end-user is the most vulnerable aspect of network security, so regular training on phishing, security threats, and incident response protocols is essential to protecting your bank against bad actors and limiting potential damage.

5. **Additional tools.** Use VPN technology for remote access, make sure your patch management is timely, and utilize offline, air-gapped backups.

Review your cyber insurance protection annually. Your bank's cyber risk is rapidly changing and evolving, and you should be reviewing your cyber insurance protection at least annually to determine if the coverage and limits continue to meet your bank's exposures and needs.

United Bankers' Agency, the insurance division of UBB, can help you find the best cyber insurance plan for your community bank's needs. To request pricing and additional information, visit www.ubbinsurance.com or contact Tim Henry at tim.henry@ubb.com.

Note: All products and services represented in this article are not insured by the FDIC or any other federal government agency, are not deposits of or guaranteed by the Bank or any Bank affiliate and may lose value.

BankValue Bank Performance Update

By BankValue

UBB COMMUNITY BANK INDEX	6/30/2023	6/30/2022	Change
Average Bank Total Assets	$397,749	$390,158	1.9%
Loan Growth Rate (%)	3.4	3.8	-0.4
Deposit Growth Rate (%)	-0.7	3.4	-4.0
S Adjusted ROAA (%)	0.98	0.88	0.10
Non Interest Income/AA (%)	0.39	0.43	-0.04
Net Interest Margin (Non-FTE) (%)	3.32	2.96	0.36
Leverage Ratio (%)	10.45	9.91	0.54
NPAs/Total Assets (%)	0.19	0.23	-0.04
Reserves/Loans (%)	1.27	1.31	-0.04
Yield on Loans and Leases (%)	5.47	4.71	0.76
Cost of Funds (%)	1.43	0.35	1.08
Banks in: AZ, CA, CO, DC, FL, GA, IA, ID, IL, IN, KY, MD, MI, MN, MT, NC, ND, NE, OH, OK, OR, SC, SD, TN, WA, WI, WY;			
Less than $2 Billion Assets			

The table above shows the performance of 2,396 community banks in UBB's BankValue trade area with less than $2.0 billion in assets. A quick look at those performance metrics compared with the same period a year earlier shows a generally positive picture. As expected, the size of banks has increased over the past year as total assets increased by almost 2.00%. However, median loan growth is down year-over-year as higher interest rates slightly damper lending volume. The most notable difference over the last year is the decline in deposit growth. Most community banks have dealt with rate sensitivity and pressures in the previous twelve months.

Pressure from credit unions, online-only banks, and other non-banking competitors (Edward Jones, Capital One, etc.) have spotlighted depositors seeking the highest yield possible. This increased competition has caused community banks to see some deposit run-off and dramatically impact the cost of funds (up 1.08% year-over-year).

Our community bank clients are generally doing well, indicated by a median ROAA of 0.98%. Loss provisions remain typically very low (knock on wood), enabling decent profits despite skinny margins and increased regulatory costs. Net interest margins improved compared to one year prior as banks began to offload lower-yielding bonds into higher-yielding loans. Problem asset levels continue to improve incrementally and are reaching cyclical low levels ("as good as it gets").

Overall, the numbers reflect a stable industry adjusting from an abundance of liquidity to one where liquidity now demands a premium.

Mike Klinger, Vice President, BankValue Manager • 952-886-9555 • michael.klinger@ubb.com

United Bankers' Bank
Call Report (unaudited)
9/30/2023

Balance Sheet (000's)

Assets:	
Cash and Due from Banks	$ 162,474
Investments	$ 178,797
Fed Funds Sold & Securities Purchased Under Agreement to Resell	$ 59,392
Loans	
Outstanding	$ 748,654
Loss Reserve	$ (12,434)
Other Assets	$ 43,952
TOTAL ASSETS	$1,180,835
Liabilities and Capital:	
Deposits	$ 674,478
Fed Funds Purchased	$ 248,670
Other Liabilities	$ 137,461
Equity Capital	$ 120,226
TOTAL LIABILITIES & CAPITAL	$1,180,835

INCOME STATEMENT (YTD)

Interest Income	$ 36,500
Interest Expense	$ 21,707
Net Interest Income	$ 14,793
Loss Provision	$ 108
Net Interest Income (After Provision)	$ 14,685
Other Income	$ 14,576
Total Income	$ 29,261
Operating Expenses	$ 24,040
Securities Gains (Losses)	$ –
Net Income Before Taxes	$ 5,221
Tax	$ 1,158
NET INCOME	$ 4,063

Employee Spotlight

Traci Kaske

Senior Human Resources Consultant
952-886-9554 • traci.kaske@ubb.com

Family Members: My husband of 33 years, Erik, and I are empty nesters with two adult children - Erika who is completing her residency in Massachusetts and engaged to be married next fall and Kyle who is a realtor in Forest Lake, MN.

Pets: We have 3 grand puppies – Maple (a golden doodle), Tito (a Bernese mountain dog), and Minnie (a Pomeranian/Corgi mix).

What do you listen to on your drive to work: I listen to podcasts. One of my favorites is Out of the Comfort Zone with Wanda Wallace.

Interests: Long walks; riding my Peloton bike; reading; campfires, sauna time; listening to live music; riding in our 1958 MGA convertible that my husband restored.

If I could live anywhere in the world, I would live: Anywhere warm – Aruba, Cabo San Lucas, Barbados, and Culebra.

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

Many people don't know that: Was a volunteer leader and President of my local SHRM chapter and met several chapter leaders throughout Minnesota while serving on the State Counsel.

If I was not working in banking, I would: Be a psychologist.

I started working at UBB on: January 3, 2023.

My favorite part of working for UBB: Helping our USource clients with their HR needs and being part of a great team.

The best advice I ever got was: My mom always told me to be curious and never stop learning. This advice has served me well in work and life.

First For Your Success means: Serving our customers by going above and beyond their expectations.

Erika, Erik, Traci and Kyle Kaske.

Erik with Tito, Minnie and Maple.

Traci and husband, Erik on a ride in their 1958 MGA convertible.

State and Federal Employment Law Posters, Policies, and Employee Handbooks

By Karen Von Guten – Vice President, USource Manager

The State and Federal employment law posters serve a greater purpose than to fill up a bank's bulletin board. It is required that the mandatory posters are conspicuously posted to inform employees of their rights and obligations under applicable state laws, and posting them helps fulfill *the employer's* responsibilities under the same employment laws.

UBB's USource Human Resource Consulting team serves community banks in 16 states. While it would be helpful if all 16 states had the same employment laws, unfortunately, that is not the case. The USource team uses various resources, including employment law attorneys, to stay attuned to new employment laws and updates in existing laws. These are then used to create a USource member's workplace policy and develop an employee handbook.

What is included on most of the State employment law posters:

- Minimum Wages vary from state to state. Some states maintain the federal minimum wage of $7.25/hour; others may increase minimum wages annually.
- Safety and Health concerns under the Occupational Safety and Health Act (OSHA) are generally similar in each state.
- Unemployment Insurance – Each state administers its own unemployment insurance program despite it being federal law.
- Workers' Compensation – The "Employee's Rights and Responsibilities" poster informs employees of their rights if they are injured or become ill due to an incident in the workplace. Workers' Compensation Insurance is required in most US states. States may have similar reporting processes yet provide different payment benefits.
- "Discrimination in Employment" posters address employee's rights to be free from job discrimination, harassment/sexual harassment, and retaliation.
- "Employee's Rights to Equal Pay and Opportunities" – titles of this poster can vary from state to state, such as "Equal Pay for Equal Work Act" or merely "Right to Work."
- "Smoke-Free Act" - Each state has its own title, but ultimately, each bank creates its own policy in reference to smoking, vaping, and a tobacco-free workplace.

A few states currently have "paid time off" or "paid sick leave" already established, such as Washington's Paid Family and Medical Leave (PMFL) since 2021 and Arizona's required paid sick leave since 2017. As new legislation on this topic begins in some states, USource is seeing it included on more employment law posters. A few examples are Minnesota's plan to start offering Earned Sick and Safe Time effective 2024 and PMFL in 2026. Illinois's plan to usher in paid leave with up to a minimum of 40 hours to be used for any reason for all employees will be effective January 2024.

What is included on Federal employment law posters:

- "Fair Labor Standards Act" (FLSA) (4/2023)
  - Wage and Hour laws- are an extensive area of employment law compliance
- "Know Your Rights" Equal Employment Opportunity Commission (EEOC) (revised 6/27/2023) Besides providing to employees, this poster is required to be viewed by job applicants also.
- "Employee Polygraph Protection Act" (Revised 2/2022)
  - It is rarely used with private employers but is dependent on circumstances.
  - This poster needs to be viewed by job applicants.
- "Your Rights Under USERRA" (The Uniformed Services and Employment and Reemployment Rights Act)
  - USERRA protects the job rights of individuals who voluntarily or involuntarily leave employment positions to undertake military service.
- "Employee National Labor Relations Act" (NLRA) (5/2022)
  - It requires posting by federal contractors.
- "Employee Rights and Responsibilities Under the Family & Medical Leave Act" (FMLA) (Revised 4/2023) (Only post if an employer has 50 or more employees, during at least 20 work weeks in the current or previous calendar year.) If applicable, it needs to be viewed by job applicants.
- "Pay Transparency Notice" (Under Executive Order 11246)
  - Posting required by Federal Contractors

The rights and responsibilities indicated on the State and Federal employment law posters aid in creating workplace policies, which are then inserted into employee handbooks. Handbooks serve as a resource for employees to know their rights and responsibilities and grant employers a defense to an employee stating, "I didn't know that!"

Employment Law continued pg 7

Keeping the *Community* in Community Banking

Providence Bank & Trust • South Holland, Illinois

About 30 minutes south of downtown Chicago resides the village of South Holland and the home of Providence Bank & Trust (PB&T). Since Providence Bank & Trust's formation in 2004, its mission has focused on a "genuine commitment to service and stewardship" in all the communities it serves.

We sat down with Steve Van Drunen, President and CEO, to learn more about how Providence Bank & Trust is *Keeping the Community in Community Banking*.

Providence Bank & Trust Group participating in Habitat For Humanity Build Day

Providence Bank & Trust Group at the Making Strides Breast Cancer Awareness Event

What is your community most known for?
Providence Bank & Trust started in South Holland, Illinois in 2004. Since then, it has expanded into Chicago, its suburbs, and Northwest Indiana. All our communities are unique and offer something special to the people who collectively make their neighborhoods a place to call home. Our communities provide rich histories that tell stories of the past and paint a picture of the future. South Holland is known for "Faith, Family, & Future," and we believe these values and culture can be personally felt in all the communities we serve.

How is your bank involved in the community, and what programs does your bank have to encourage community involvement?
Providence Bank & Trust is committed to our local communities through financial empowerment, stewardship, and products and services. The bank incorporated the Providence Bank & Trust Stewardship Program, which dedicates 10% of the bank's profits to empowering the vital work of local civic, nonprofit, and Christian organizations. Since the program's inception, PB&T has donated over $10.7 million. In 2022, over 45% of donations went toward education-related initiatives and organizations, paving the way for school growth and scholarship opportunities.

PB&T employees participate in #stewardstrong Days which highlights an organization or community partner each month. Employees can donate to wear jeans to work on the last Friday of the month which the bank matches as a surprise donation that and is always welcomed with heartfelt gratitude.

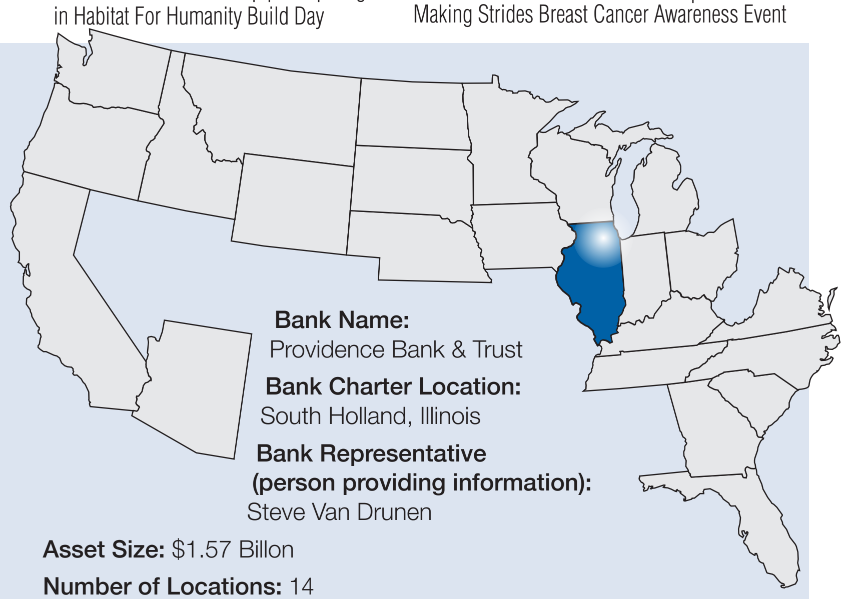
Stewardship is much more than financial giving. As active stewards, we're thankful for the opportunity to partner with organizations throughout the year to support their important work and their impact on our communities. In 2022, the team at PB&T volunteered 540 hours by participating in 111 volunteer activities, supporting 42 unique nonprofits and served over 18,000 individuals.

In addition, Providence team members participate in financial wellness-themed activities. These activities help individuals learn basic personal financial matters enabling several to take advantage of products uniquely designed to support financial wellness in our communities such as the Neighborhood Connect Banking account. This certified BankOn checking account helps individuals learn healthy financial habits to regain positive momentum after experiencing financial hardships and helps them manage their money with confidence.

In support of our mission to create opportunities for neighborhood revitalization, Providence Bank & Trust developed the Community Stewardship Loan to support small businesses and nonprofit organizations in low-and moderate-income communities. We aim to provide a financial solution that delivers needed capital, inspires continued success, and ultimately strengthens our communities.

What makes community involvement important to you and your bank?
We work collectively as a team with our communities to build stronger and more vibrant neighborhoods. Through the work of our dedicated team members, we witness the impact our community involvement makes. Seeing first-time home buyers close on their home, supporting small businesses and nonprofits with lending and economic development opportunities, teaching children the importance of saving and donating, and investing our time and

PB&T continued pg 7



Bank Name:
Providence Bank & Trust

Bank Charter Location:
South Holland, Illinois

Bank Representative (person providing information):
Steve Van Drunen

Asset Size: $1.57 Billon

Number of Locations: 14

Number of Employees: 200

Year Bank was Incorporated: 2004

City Population: 21,000 (South Holland, IL)

Employ,emt Law from pg 5

How to use employment laws as a guide. Your employee handbook may refer to:

- Safety and Health protection in the workplace
- Wage/salary/overtime pay
- Paid time off, state-paid sick leave/time, state-paid family/medical
- Federal (unpaid) Family and Medical leaves of absence
- Other leaves of absence not guided by an employment law poster but are law
- Illegal discrimination, sexual and general harassment, protected classifications under the equal employment opportunity laws
- Reasonable accommodations for a health care provider diagnosed disability or pregnancy
- Smoking/tobacco-free regulations
- Recruiting and hiring
- Wage and hour laws – work schedules, meal and rest breaks, breaks for nursing mothers
- Federal Pay Transparency Statement, some states have "Wage Disclosure Protection"
- USERRA, military personnel guidelines

The interface between state and federal employment laws and creating workplace policies inserted in employee handbooks are essential procedures for employers to stay legally compliant with employment laws.

UBB's USource HR Consulting team can work with your bank to interpret employment law posters, help update your policies to reflect updates in employment laws, and incorporate those policies into an employee handbook and many other HR-related services. Please contact usource@ubb.com for more information about becoming a USource member or questions about how our services can help your community bank.

Karen Von Guten, Vice President, USource Manager • 866-394-1984 • usource@ubb.com

FedNow is here!

UBB and Pidgin have developed a FedNow Platform to help you with all of your Instant Payment needs, including P2P, B2B, B2C, C2B, and Government and Municipal Payments.

Does your bank have to participate in FedNow?
We asked the Payments Professor and Pidgin's SVP of Innovation & Strategy, Kevin Olsen, for the answer.

Participation in the FedNow network is NOT mandatory for any financial institution. No payment channel participation in the U.S. card, check, wire, or ACH is mandatory. It is totally optional for banks, just like no one's forcing them to do credit cards, checks, or wire transfers.

But let's get real—if you're a bank and you're not offering what the cool kids (read: your customers) want, they'll probably ghost you for a bank that does. Oh, and fun fact: Uncle Sam, aka the U.S. Department of Treasury, is playing around with FedNow too. So if your bank is not in the FedNow loop, it can't do the quick money cha-cha with government agencies that are. It's sort of like not being able to D.M. someone because you're not on the same social media platform.

For more lively instant payments information – visit https://www.paymentsprofessor.com.

PB&T from pg 6

resources with organizations bring a sense of accomplishment to our employees and myself. We are pleased to support our communities' diverse and evolving needs in banking and stewardship.

What do you like best about your community?
Our communities are an essential part of our history and have helped to shape who we are today. The uniqueness of each community contributes to the bank's strength, culture, and success.

What do you like best about being a community banker?
Community banks play an important part in the financial empowerment of people which brings success to families, nonprofits, and local businesses. As community bankers, we forge relationships with our customers on a deeper level, tailor our customer service to meet the needs of our customers and communities, and provide a local banking source to help our customers achieve more and impact our communities.

We are pleased to support our local communities and bring success to all that we do.

UBB Welcomes

John Damjanovich started with UBB in September as a Vice President, Lending. John joined UBB with over 15 years of banking experience. He works in the Bloomington office, serving the lending needs of community banks in Minnesota, North Dakota, and Idaho.

Bruce Ngosong, Senior Information Security Analyst, started in September in UBB's IT department. He will be based in the Bloomington office and has over 3 years of IT experience.

UBB in the Community

In August, UBB employees donated school supplies for school kits. Employees then put the school kits into backpacks and shipped them to Lutheran World Relief to benefit children worldwide suffering from poverty, disaster, and conflict in September.

I ❤ Community Banking

Congratulations to our I ❤ Community Banking decal and Giving Back contest winners.

Decal Contests ($25 VISA gift card winners):

- July - Cheryl Larson of Northview Bank (MN)
- August - Sara Waibel of First Community Bank (MN)
- September – Jennifer Bergman of Osgood Bank (OH)

You can enter the decal contest by snapping a photo of your use of the I ❤ Community Banking Decals and emailing it to ubb.marketing@ubb.com.

Giving Back Contest

Peoples State Bank in New Lexington, OH. UBB provided a $250 donation to the Dolly Parton Imagination Library on behalf of Peoples State Bank.

Remember to show how you're spreading the community bank love by using the hashtag #communitybanklove on your bank's social media posts. When you use the hashtag #communitybanklove, your bank will be automatically entered into our Giving Back Contest.

Check out how other banks around the country are helping their communities by searching #communitybanklove on Facebook and LinkedIn.

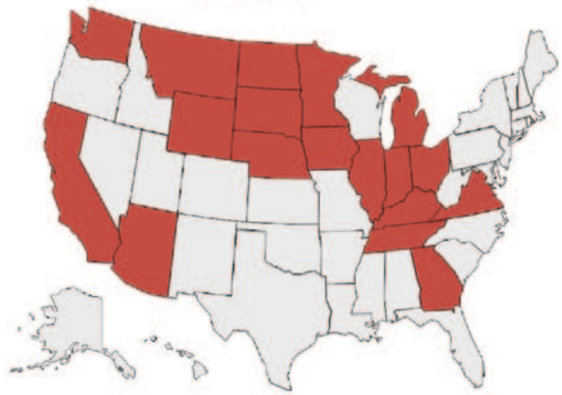
I ❤ Community Banking

40,000+

I ❤ Community Banking
#communitybanklove

Decals Distributed to Banks

19



Different States Where Banks Ordered Decals

1,100+

Times the Hashtag #communitybanklove Has Been Used on Facebook

Visit communitybanklove.com

Spread the Love & Order Your Free Decals Today!

UBB

#communitybanklove