UBB 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:

Create a Culture of Financial Literacy

By Banzai Financial Education

People are seeking financial advice more now than in years past. In fact, one study reports that individual financial stress doubled after the COVID-19 pandemic struck. Some 62% of Americans reported experiencing financial stress, with 22% dipping into their emergency savings and 19% increasing credit card balances since the beginning of the pandemic, according to a survey by John Hancock Retirement.

This is a golden opportunity for banks to step in as subject matter experts by promoting financial literacy in their communities. Establishing a culture of financial literacy elevates the education of your employees and your account holders at the same time.

A Win-Win Approach

Becoming a community leader in financial literacy is a win-win for banks.

Financial Literacy continued pg 2

Dwight Larsen A note from the President

Spring is the season of new beginnings. Trees begin to grow their leaves, and plants start to flower. After all of the disruptions we endured in 2020, we now have positive signs of new beginnings of our own. Vaccination rates are encouraging, and COVID-19 deaths continue to be on the decline. The rules put in place at the beginning of the pandemic to keep us safe are starting to become relaxed, all pointing towards a gradual path to normalcy. I, for one, have never been more excited to see the old (normal, everyday life) become new again.

In our cover story, UBB financial literacy partner, Banzai, explains the importance for banks to establish a financial literacy program in the communities they serve. This need has only been magnified due to the financial stress brought on by COVID-19. Providing financial education and establishing your bank employees as subject matter experts is easy to do with the resources Banzai provides.

Over the past year, we have made great strides in offering remote services to our customers. Regulators have also begun leveraging the convenience of remote working through the use of virtual examinations. Jeff Thompson, Vice President, Managing Consultant for UBB Compliance Services, provides some examples of lessons learned and helpful tips to make your next remote examination a little easier.

Employee recruitment and retention continue to be an ongoing challenge for most community banks. USource Vice President, Bob Greening, highlights the most popular non-insurance related benefits employees are looking for from a potential employer. Gain some insight into what kinds of new benefits your bank might want to offer to boost its recruiting efforts.

This issue's Q&A comes from our UBB Card Services department. This team fields several customer calls related to business credit card applications. Two of their most frequently asked questions and accompanying answers can be found on page 7.

On page 4 get to know Bob McGovern, Vice President, Correspondent Banking Officer in Michigan, and then flip over to page 6 to find out how Idaho First Bank is *Keeping the Community in Community Banking*.

At the UBBI annual meeting held in April, we unveiled the 2020 UBBI annual report, titled *Empowering a Sustainable Future*. This annual report is a story of community banks overcoming unprecedented challenges to deliver once again for their customers, their communities and their nation. It provides a behind the scenes look of what UBB did to meet the changes, challenges and needs of community banks while maintaining a high level of customer of service and employee health and safety. If you haven't had a chance to read it yet, I encourage you to visit www.ubb.com to view the digital version. Other exciting news to come out of our annual meeting was the election and introduction of two new members to the UBB and UBBI Boards of Directors, Ann Hengel and Chuck Hegerfeld. We're excited to welcome them and look forward to their key contributions to the strategic leadership of the UBBI board.

As we inch our way back to normal and once again enjoy this time of year filled with vacations and outdoor fun, we will continue to remember the growth we have shown in just this past year and how we made it through together with UBB remaining *First* for Your Success.

Research suggests that financial literacy efforts have a tangible impact on positive money management. Understanding how money works leads to higher credit scores, less debt, and higher savings rates. Financial literacy breeds long-term financial security for individuals, families, and communities. Bonus: providing financial literacy resources for your community can boost brand awareness, while building consumer trust and loyalty.

Fortunately, you don't have to create your own financial literacy resources from the ground up. Banzai, an award-winning financial education platform, has an all-in-one solution with resources for every age.

Banzai partners with banks who distribute the Banzai platform as they see fit.

Used in-house, these resources can greatly improve the depth of financial knowledge in employees, helping them to better serve your clientele and retain customers in the long-term.

This pay-it-forward attitude more than pays off. Banzai partners—called sponsors—who shared their resources with employees saw a boost in their internal culture of financial literacy. Employees played through courses multiple times, competing for high scores and prizes. One sponsor even integrated Banzai content as part of their employee onboarding process to further establish a culture of financial literacy at their organization.

Many sponsors also share resources with account holders, local schools, nonprofits, partner organizations, and more. Sponsors who shared these resources with account holders reported an increase in financial literacy and overall financial well-being. They also saw an increase in touchpoints and opportunities with community partners.

A Trusted Partner

Banzai has products for every age. The Banzai Coach is a virtual financial adviser that provides personalized feedback on dozens of financial topics through an interactive, easy-to-use interface. Customizable calculators use actual numbers and unique financial situations to explore possibilities like paying off a mortgage early, getting an auto loan, or the cost of relocating to another city.

In addition to Coach sessions and calculators, the Banzai Wellness Center also includes more than 80 articles that provide a comprehensive overview on a wide range of financial topics, from creating a budget to boosting credit to building an emergency fund. It's a great place to direct customers who have questions about financial best practices or just want to learn to manage money better.

Local schools sponsored by local banks work with Banzai's flagship simulation courses: Junior, Teen, and Plus. These teach personal finance to kids and teens using trial-and-error decision making. They walk through things like income, budgeting, borrowing, insurance, taxes, credit scores, rent, and mortgages, all the while teaching the importance of financial tradeoffs and big-picture thinking.

These programs introduce banks to local kids and teens at a young age. They foster brand recognition that can lead to loyal account holders for years into the future, as kids and teens grow and see the sponsor as an ally in their financial success.

Foster Financial Security

When you share Banzai resources with account holders and community members, they'll be better prepared to create their own budget, invest money, save for a rainy day, build a nest egg for retirement, and more—all with you as their partner.

Americans are seeking out financial literacy education, and your bank could be the solution. There's never been a better time to partner with Banzai to provide financial education to your community.

Source for stats: John Hancock Retirement 2020 Financial Stress White Paper https://retirement.johnhancock.com/us/en/financial-stress-survey

The Perks Employees Seek Most

By Bob Greening, Vice President, USource

What do workers want most from their employers in 2021? Above everything, they're looking for time away from work. In a recent survey by benefits provider, Unum, participants were given a list of 16 non-insurance benefits provided by employers. When asked to choose their top three options, paid time off, flexibility/remote working options and paid family leave were the top non-insurance benefits.

Paid leave (PTO, vacation, etc.) came out on top for a third straight year, despite fewer people traveling during the current pandemic. In fact, employees haven't taken as much time off as usual, which research consistently finds to be detrimental to their emotional health. This supports the long-held belief that paid time off is important for employees, allowing them to rest, recharge and return to work more productive. With social distancing, lockdowns, etc. impacting the way people work, it is important for employers to encourage employees to use their time off to rest their minds and improve their overall health. Fortunately, most employers recognize the need to recharge and encourage their employees to use their time off benefits!

Flexible and remote working options were second on the list, while **paid family leave** came in third. When survey participants were separated by gender, women tended to view paid family leave in higher esteem than men. This may reflect that women are often the primary caregivers in their households. Another survey reported that one in four women are considering leaving the workforce or taking a smaller role because of added personal pressures such as caregiving during the pandemic.

Those three benefits beat out other popular non-insurance perks such as fitness or healthy lifestyle incentives, financial planning resources, professional development and student loan repayment benefits.

This survey, conducted annually, reiterated some of the trends seen in the previous year as a result of the COVID-19 pandemic. Paid family leave has been a benefit repeatedly clamored for by employees as they dealt with more personal concerns, such as children at home or an increase in eldercare responsibilities. In response, many employers have been rolling out new leave benefits or enhanced current paid leave policies.

Though remote work and flexibility have always been popular among employees, their importance soared in light of the pandemic, as scores of employers sent employees to work from home. Flexibility has become a COVID strategy for employers as employees have had to deal with a slew of challenges that have affected productivity, such as helping kids with virtual learning or dealing with a number of other stressors. This flexibility has been embraced by employees and may become the new norm going forward.

While paid time off has been a constant top perk in the eyes of employees, the survey highlighted the importance of Employee Assistance Programs (EAPs), financial planning and identity theft protection as well. EAPs, which have been a focus among employers looking to help employees improve their mental health, jumped up several spots from the previous year's survey. Financial planning resources landed among the top five perks for the first time, as many employees dealt with worsening financial health. Identity theft protection jumped up several spots actually becoming the top-rated perk for Gen Z (individuals born between 1997 and 2012) workers.

Traditional employer-provided benefits, such as medical/dental insurance and retirement plans including pensions or 401Ks, will always be important to employees and integral for employers to stay competitive in the race to recruit/retain talent. However, the requested perks topping the survey, should not be overlooked but offered or enhanced when possible to meet the changing needs and preferences of today's employees.

Bob Greening, Vice President, USource HR Management Services • usource@ubb.com • 866-394-1984

United Bankers' Bank
Call Report (unaudited)
3/31/2021

Balance Sheet (000's)

Assets:	
Cash and Due from Banks	$ 611,094
Investments	$ 265,023
Fed Funds Sold & Securities Purchased Under Agreement to Resell	$ 2,974
Loans	
Outstanding	$ 638,444
Loss Reserve	$ (12,191)
Other Assets	$ 34,944
TOTAL ASSETS	$1,540,288
Liabilities and Capital:	
Deposits	$1,005,095
Fed Funds Purchased	$ 410,859
Other Liabilities	$ 9,750
Equity Capital	$ 114,584
TOTAL LIABILITIES & CAPITAL	$1,540,288

INCOME STATEMENT (YTD)

Interest Income	$ 6,858
Interest Expense	$ 651
Net Interest Income	$ 6,207
Loss Provision	$ –
Net Interest Income (After Provision)	$ 6,207
Other Income	$ 6,126
Total Income	$ 12,333
Operating Expenses	$ 7,717
Securities Gains (Losses)	$ –
Net Income Before Taxes	$ 4,616
Tax	$ 1,210
NET INCOME	$ 3,406

Employee Spotlight

Bob McGovern

VP Correspondent Banking Officer
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Family Members: My wife of 32 years, Marie. Our daughter, Sarah, 25, and our son, Bobby, 23.

Pets: No pets but our neighbor's cat, Wilbur, hangs out at our house all the time, he's a cool cat.

What do you listen to on your drive to work: Classical music.

Interests: Geography, geology, meteorology, and history as well as the settlement patterns of people arranging markets and cities around themselves.

If I could live anywhere in the world, I would live in: Southwest Michigan with a vineyard near Lake Michigan.

If I could have one super power (besides flying) it would be: going back in time. I'd like to join Ferdinand Magellan when he sailed around the southern tip of South America in 1520.

Many people don't know that: am a retired US Navy Senior Chief with 28 years of service (3 active and 25 reserve).

If I was not working in banking I would: try my hand at running a vineyard.

I started working at UBB in: 2016 as part of the merger with Great Lakes Bankers Bank. I've been a Correspondent Banker since 2001.

My favorite part of working for UBB is: my co-workers and teammates. I enjoy being part of a positive and professional organization.

The best advice I ever got was: Trust your instincts.

First For Your Success means: Knowing that our customers' success is the primary focus and driver in all that we do.

Bob in the Navy on the USS Goldsborough DDG 20

Bob with Marie, Bobby and Sarah

Bob representing UBB in St. Joseph, MI

Remote Audits and Examinations
Lessons Learned After a Year of Change

By Jeff Thompson, CRCM

As Coronavirus swept across the world in 2020, we all had to change the way we live, work, and interact with auditors and examiners. Regulators had already begun experimenting with remote examinations and put what they learned into full operation in 2020. Because we regularly visit client banks to perform compliance and BSA audits or help with special projects, we too needed to create remote audit processes to keep our clients and ourselves safe as well as the data being transmitted. What follows are a few lessons learned through this new process and insight from our clients who have been through virtual examinations.

Pre-Audit/Exam Planning

The regulatory agencies and many audit service providers have developed processes to collect large volumes of data, including loan files, or to tap into a bank's existing documentation systems remotely. Even with these systems, many banks have yet to make the transition to electronic file systems, making it difficult to transfer or tap into files.

As the auditee, you need to be aware of what you can or cannot do. If you are a smaller institution that still operates with mainly paper files, what are your scanning capabilities? How much human resource will you need to dedicate to scanning files before an audit or exam? Do your auditors and examiners need everything in a given file, or just key documents? If you are a bank already converting files to electronic format, how organized are those files? Are they tabulated and bookmarked? Are they maintained on a system that organizes the files? Are your electronic files maintained locally or on an internet-based storage platform?

The answers to these questions and others will determine how effective and efficient your next remote audit or exam will be.

If you are a smaller institution that does not maintain files electronically, your examiners will still want to do your next examination remotely, so you'll want to ask them exactly what they need or want. Though in the past you may have provided an entire loan file, you may not need to provide every scrap of paper, depending on the nature of the exam. Conversely, it may be easier to scan everything to an electronic file. After making that determination for your bank, your next step is to communicate with your auditor/examiner about the best way to proceed.

Once the files and other information is requested, we recommend gathering it as soon as possible and working with the auditor/examiner to make sure you get all the materials gathered and sent. If you are unsure about what is or is not required or your scanning capabilities, do a few test runs with your examiner before or at the beginning of the exam/audit process. You need to be confident that your data will be transmitted securely.

During the Audit/Exam

Robust communication between a bank and its auditors/examiners during the course of the audit is absolutely crucial. You will do yourself a favor by greasing the communication wheels often. You might have sent a document that includes something that confuses the reader, doesn't have a signature where it should, or has incorrect information or calculations. All of those things may lead to criticism if they are true. Sometimes the wrong version of a given document was sent, or there's another document that explains the issue. Nothing should be in stone until both sides have thoroughly communicated that the findings are accurate.

Wrap Up and Mitigation

The best thing that occurs now in most remote exams (and audits), is that the old examiner adage, "If it's not in the file, it doesn't exist" can no longer be taken at face value by the regulators. Questions raised or issues noted by your examiners should provide an opportunity to challenge the examiner's assumptions by finding what they could not. It might be in another electronic or paper file or in a lender's desk drawer. The important thing to remember is that if it exists, you can prove it.

Another thing that may occur during the audit/exam or at the wrap up meeting is that you become aware of a misunderstanding about a procedure. An issue can be noted by an examiner due, almost exclusively, to a misunderstanding. Continue to address the misunderstanding so you and the examiner both have the same understanding of the situation.

Conclusions

Your next remote audit or examination may be far different from what you've experienced in the past. The good news is remote audits can be much more efficient and far less onerous on the bank representative managing the exam. However, to ensure your audit or examination produces the best results, proper preparation, open communication, and vigorous follow up are all required.

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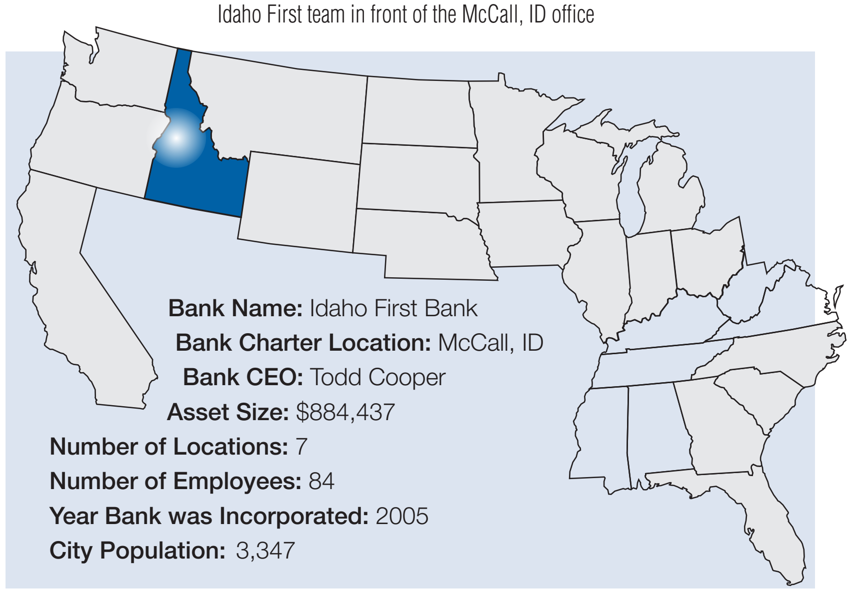
Keeping the *Community* in Community Banking

Idaho First Bank • McCall, ID

About 100 miles north of Boise, sits the picturesque, mountain town of McCall, ID. Since 2005, the Idaho First main office has resided in the heart of downtown, just down the street from Boise State University. It prides itself on being rooted in the concept of “belonging, not banking”. Their three central ideals, *people first, community first, Idaho first*, are the blueprint for an award winning banking experience that has been recognized as one of the top 15% performing community banks in the US in each of the last three years. We sat down with Stacey Divine, Chief Marketing Officer, to find out more about how Idaho First Bank is *Keeping the Community in Community Banking*.

Idaho First team in front of the McCall, ID office



Bank Name: Idaho First Bank
Bank Charter Location: McCall, ID
Bank CEO: Todd Cooper
Asset Size: $884,437
Number of Locations: 7
Number of Employees: 84
Year Bank was Incorporated: 2005
City Population: 3,347

What is your community most known for?
From world famous skiing in Ketchum to family water activities at Payette Lake to the rich agricultural lands in Nampa, we are steeped in rich Idaho tradition and history. Greg Lovell started the bank in McCall, Idaho with the logic of providing personalized service that felt more like family than banking to the resort town residents and visitors. Even with our expansion throughout Idaho, we have kept that same neighborly mindset with all our customers. Knowing our customers and community members...and calling them by name is important to building deep roots and relationships throughout all of our locations. It’s one of the many things that sets us apart.

How is your bank involved in the community and what programs does your bank have to encourage community involvement?
At Idaho First Bank, putting our community first is one of our main priorities and something we encourage all employees to take part in as well. We hosted Community First Week in 2020, during which each of our branches chose a local organization to support. Each branch closed early on a different day of the week to spend time volunteering at their chosen organization. Our team has a passion for guiding today’s youth. We contribute through education, mentoring, serving and really laying a foundation to help build an environment where their future has no limits.

Do you have any goals or programs in place to encourage bank employees to be active in the community?
Yes, all full-time employees receive 40 hours of paid volunteer time annually, and part-time employees receive 20 hours to encourage them to be active in the community.

What makes community involvement important to you and your bank?
As a community bank, community involvement is the best way to get to know the communities we serve and to give back. Almost all our employees are lifelong Idaho residents and have long records of community involvement. Idaho is the community we grew up in, live in, and have families in; we want to do all we can to support this community and continue to help it thrive.

What do you like best about your community?
My favorite thing about our community is how close everyone is and how they always unite to help each other. A lot of our local businesses struggled during the pandemic. As a bank providing PPP loans, we had the opportunity to work with many small businesses that were affected. It was amazing to hear their stories and see how the community all comes together to help in times of need.

What do you like best about being a community banker?
I enjoy the relationships we are able to make with our customers. As a community bank, we really get to know all of our customers and form close relationships with them. This allows us to better understand their banking needs and create specifically personalized solutions. I love being able to know each of my customers by name and even become friends with many of them. It’s truly rewarding to be able to provide services that support the local Idaho residents and small businesses that make this community so great.

Credit Cards Q & A

By UBB Card Services

Q: What is the best way for my customers to apply for a business credit card?

A: Your online application is by far the fastest and most efficient way for a business customer to apply. By reaching out to UBB's cards representatives, you can get a link that is personalized with your logo. This link can be sent to your customers via email or placed as a link or clickable banner on your website. While paper applications are still available and accepted, they also require extra time spent by mailing paper applications to customers and waiting for the customer to mail it to you or us. The online application is very easy, quick and will come right to us in the credit card department. You or the customer can also attach the required business financials that we will need for underwriting.

Q: When UBB processes a business's credit card application and it gets declined, does the bank get notified?

A: Our underwriting process involves gathering the application, financials, credit score, OFAC and a reference from your bank for approval. If, for whatever reason, underwriting doesn't approve an application (low credit score, weak financials), we will not automatically deny them.

We provide flexibility by working with the bank to get the application approved when possible. Sometimes, the application is missing a piece of information the bank can help obtain. The business's relationship with the bank can also help. UBB Card Services will let you know as soon as we receive the application and inform you of anything we may need. If underwriting doesn't approve the application, we will first speak with you, the bank, to see if there's anything we can do to get the application approved. You'll never be left in the dark, and we'll make sure every potential solution has been exhausted before denying an application.

By coming to you first and letting you know of the situation, we give you the opportunity to guarantee the account. Guarantees can be reviewed from 6 months to a year to see if they are still necessary. If underwriting determines a guarantee is no longer needed, it can be removed, and UBB will take on the liability. For example: Joe's Pawn Shop is a customer of yours and wants 2 cards with a credit limit of $10,000 each. The Equifax credit check shows his score as 662. His financials show losses for the past 3 years. Underwriting has an issue with the low credit score and financials, but they did like the bank reference you sent. The first thing they might ask is if the cardholder will accept a lower credit limit. If not, you may need to guarantee the account for the $20,000. One year later, we can review the guarantee and collect updated financials, bank reference and credit score. Now, the owner's credit score is 720 and the financials show a profit. Underwriting deems the guarantee is no longer necessary, and we remove it.

The UBB Card Services experts are committed to providing your institution with the resources necessary to implement, operate and sell card and payment solutions to your customers. Their card programs are easy to implement, generate non-interest income, and can help reach underbanked markets. In addition, for every new approved application, the agent bank is paid a $25 incentive and receives 20 basis points on net interchange income. Visit www.ubb.com/cards to learn more.

UBB Card Services • 866-394-1985 • cardservice@ubb.com

Announcements

At the UBBI Annual Meeting on April 21st, we welcomed 2 new additions to the UBB and UBBI Boards of Directors. Ann Hengel (Minneapolis, MN) and Chuck Hegerfeld, President and CEO of BankStar Financial (Elkton, SD).

UBB Independent

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If you have questions about our products and services, please call us at **1-800-752-8140.**
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