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Growing ~~P~~Gains

By Jim Nowak, Vice President, Risk Management

Believe it or not, the average asset size of our ALMEdge user's group has nearly doubled to \$121MM over the last decade. Both organic growth and a wave of consolidation over the past several years has resulted in larger and more complex balance sheets for some community banks. The regulators' mantra over the years has been that the amount of cost and effort you put into your asset/liability management process should be "predicated by the size and complexity of your balance sheet." Because of this, we felt it was time to expand our asset/liability product offering in relation to the growth trend in the industry.



Rather than recreate the wheel, we were able to partner with New York based THC Financial Engineering to put together our new service offering, ALMEngineer. This general ledger based product is supported by a robust database that only comes from THC and its 30+ years of expertise in building complex modeling solutions for bankers. By designing two separate product packages, standard and premium, you have a choice in the reporting/analytical capabilities based on your needs. The cost will ultimately be based on the package you choose and your asset size. Best of all, there will be no software to purchase and no employees to hire in order to meet your asset/liability needs, so this will be a very cost effective, regulatory-friendly option for you relative to other product solutions available in the industry.

ALMEngineer continued pg 2

Dwight Larsen A note from the President



As we turn the page to a new year, many of us look back to where we were this time last year or at the turn of the last decade for that matter. While we've seen retirements, new products and general growth changes, what remains constant is our commitment to our customers. So, will this coming decade be the Soaring or Snoring 2020's? Let's all hope for the former.

In this issue's cover story, UBB's Jim Nowak, introduces the launch of our newest asset liability management service, ALMEngineer. An expansion of the current ALMEdge model, ALMEngineer is more ideally suited for larger-sized institutions and complements our current model to provide a valuable solution for all our customers, regardless of size.

Business intelligence access that places your bank ahead of your competition is truly a competitive advantage. UBB Marketing Solutions partner, WordCom, explains their pre-mover mortgage trigger program that enables community banks to connect with their customers during the listing process, but before the competition. This opportunity, to be first in line, strengthens your bank's all-too important top-of-mind awareness when your customers or prospects are ready to apply for a mortgage.

Our HR team does an exceptional job of acquiring and retaining high caliber talent, as well as creating an inclusive workplace that employees are proud to work for each day. Take a minute to meet our HR team then flip to Page 4 to meet our Investment Portfolio Accounting Manager, Mike Garrity.

On Page 6, Keeping the Community in Community Banking features Tri-County Bank & Trust in Roachdale, IN as they tell us how they build meaningful relationships through community service that goes beyond banking.

Ten years ago, most banking was done at a bank location or at the company website, now "there's an app for that". We'd call a cab company for a ride from the airport, now "there's an app for that". If we owed a friend money from a dinner out, fantasy football league, etc. we'd give cash or write a check, now, you guessed it, "there's an app for that". Times have certainly changed since the last time we moved into a new decade, but one thing will stay the same through 2020, 30 and on. UBB will always be First for Your Success.

We designed the start-up process to be seamless to our users. The initial “onboarding” process will be the most time consuming part of getting started because this is where your unique model is built. It will be based on your own general ledger (G/L) structure and each G/L line item will need to be set up with unique inputs like driver rates, discount rates, etc. You will have the choice to either input your own line item assumptions or use THC’s defaults, which are based on 30+ years of data accumulation and analysis. This includes many inputs such as deposit and repricing assumptions and decay rates. Once this process is finished, only minimal input maintenance will be required going forward.

After onboarding is complete, we simply need your G/L data and bond accounting data on a quarterly basis to get started. Once we have that information, we will run your model and post it to our cloud-based server. Within 7-10 business days, you can log in and retrieve your

reports from an online dashboard you can set up to meet your individual needs. The dashboard will allow you to view a wide range of summary data without needing to open the full report. Another great dashboard feature is the ability to set up your own custom peer group that enables your group’s analytics to be presented next to yours, allowing for an easy analytic comparison. Best of all, the data is available in an Excel format so you can generate customized reports or analytics to fit your specific needs.

There is so much more to cover but unfortunately, it all can’t fit in this article. But know this, Luke Teigland and I are excited to take anyone who feels that they need to move to a more complex modeling system on this journey. We will be your consultants along the way, at no extra cost to you! We want to make the transition to this more complex modeling as easy as we can. I will be covering this topic more in depth at the ALMEdge User's Conference in April, so I hope to see you there.

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**ALMEdge
User's Conference**
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Friday, April 3
Mystic Lake
Conference Center
Prior Lake, MN
www.ubb.com/events

UBB•ALMEdge®

For more information on Risk Management Services, contact Jim Nowak, Vice President, Risk Management and Luke Teigland, Senior Risk Management Analyst ALMEdge at [952-885-9448](tel:952-885-9448) or alm@ubb.com.

Welcome

UBB welcomed two new Correspondent Banking Officers (CBOs) in December. Peter Ziegler will be building and growing relationships with community bankers in Illinois, and Jeanne Speas will be teaming up with current Iowa CBO, Shane Bellefy, to service our Eastern Iowa community bankers.



Peter Ziegler



Jeanne Speas

Pre-Mover Mortgage Trigger Program: Outstanding Results at a Low Cost

By Sean Mulvaney, Chief Strategy Officer, WordCom

Are you looking to write more mortgage loans? WordCom can tell you *every existing customer* and *true prospect* who put their home up for sale last week through its Pre-Mover Mortgage Trigger Program.

This program notifies you weekly which of your customers and/or prospects listed their home for sale the previous week. Since the program is trigger-based, you are 4-5 steps ahead of your competition, leading to more mortgage loan opportunities.

The Pre-Mover Mortgage Trigger Program enables you to:

- Reach customers and prospects when they list their home for sale.
- Communicate with 100% of the pre-mover audience by sending a mortgage loan message early in the process.
- Help improve your mortgage retention/acquisition results with “proven” leads from WordCom.

When you use WordCom’s Pre-Mover Mortgage Trigger Program, you can monitor your current customers and prospects so your financial institution can be the first one to reach out to them. That will help make you top of mind when they are ready to apply for a mortgage.

Keys to a Successful Pre-Mover Program

- **Product and Offer:** Lead with the mortgage product that has the most competitive rate.
- **Data:** Get access to the most current data collected from multiple sources with a 96% accuracy rate. Receive timely communications and updates on all recent home listings.
- **Speed to Mailbox:** When communicating to current customers, the most effective approach may be to lead with an email or phone call and follow up with direct mail.



United Bankers' Bank partners with WordCom, an intelligent data marketing solutions provider, to enhance customer engagement and customer onboarding processes. This partnership offers marketing solutions to assist banks in acquiring new

customers, deposit accounts and loan products.

To learn more about the Pre-Mover program or any other customer acquisition programs, please visit www.ubbmarketingsolutions.com

United Bankers' Bank
Call Report (unaudited)
12/31/2019

Balance Sheet (000's)

Assets:

Cash and Due from Banks	\$ 101,446
Investments	\$ 5,677
Fed Funds Sold & Securities Purchased Under Agreement to Resell	\$ 33,980
Loans	
Outstanding	\$ 622,311
Loss Reserve	\$ (9,140)
Other Assets	\$ 33,703
TOTAL ASSETS	\$ 787,977

Liabilities and Capital:

Deposits	\$ 637,987
Fed Funds Purchased	\$ 36,783
Other Liabilities	\$ 7,371
Equity Capital	\$ 105,836
TOTAL LIABILITIES & CAPITAL	\$ 787,977

INCOME STATEMENT (YTD)

Interest Income	\$ 33,172
Interest Expense	\$ 9,288
Net Interest Income	\$ 23,884
Loss Provision	\$ 1,378
Net Interest Income (After Provision)	\$ 22,506
Other Income	\$ 16,096
Total Income	\$ 38,602
Operating Expenses	\$ 32,347
Securities Gains (Losses)	\$ -
Net Income Before Taxes	\$ 6,255
Tax	\$ 1,564
NET INCOME	\$ 4,691

Employee Spotlight

Mike Garrity

Investment Portfolio Accounting Manager
 952-885-9446 • mike.garrity@ubb.com



Family Members: Mary, my wife of 34 years, Erin (29), Conor (25) who is engaged with a wedding planned for June of 2021.

What do you listen to on your drive to work: Sirius XM's First Wave. I live 6 miles from UBB, so I only get one or two songs.

Interests: I'm a lifelong endurance sports participant. Road Biking 5-6,000 miles annually and recently have gotten into Fat Biking & Gravel Biking. I cross country ski about 75 days a year, including about four races each winter. I'm also a former Marathoner, inline skate racer, and triathlete.

If I could live anywhere in the world, I would live in: Italy because of its great food, beaches, mountains, and history.

If I could have one super power (besides flying) it would be: Time travel because I would love to visit my Irish & German ancestors.

Many people don't know that: have an adult daughter with autism, whom my wife and I support.

If I was not working in banking I would: Like to run an adventure travel company.

I started working at UBB in: 1998, just in time to enjoy Y2K.

My favorite part of working in banking is: Working with Community Banks. I feel UBB's clients are really helping to keep small towns viable.

The best advice I ever got was: Just keep moving forward, and you'll (eventually) get through anything.

First For Your Success means: Helping our customers wade through complex questions, efficiently and accurately.



Mike and his family



Mike Cross Country Skiing

Who is HR at UBB?

United Bankers' Bank's Human Resources Department is the team "behind the scenes" helping to advance UBB's mission by attracting, retaining and serving employees while promoting a positive, productive and rewarding workplace.



In today's world, Human Resources has moved beyond the traditional role of policy enforcement and regulatory oversight to become partners and team players in delivering value to our employees. We strive to create an environment that allows employees to contribute their very best and ultimately provide better service to our customers.

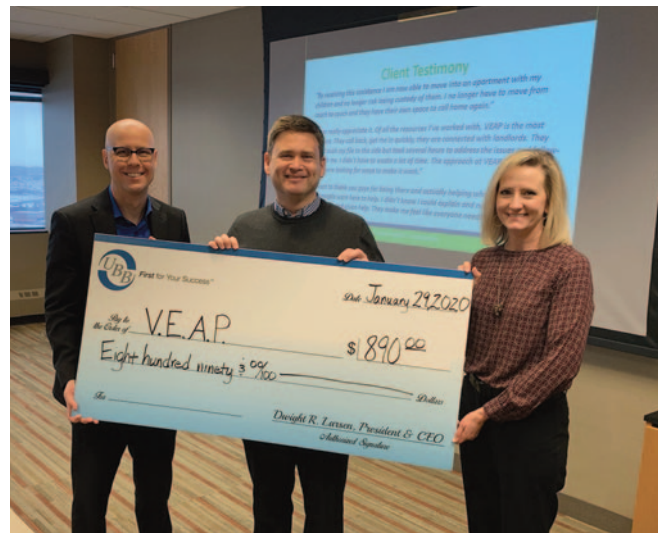
Human Resources Team led by Angela Orcutt, Executive Vice President, Chief Human Resources Officer.

Left to Right: Brandon Goblirsch, Angela Orcutt, Jennifer Brown

In the Community

Go Red for Women!

On February 7th, UBB celebrated Go Red for Women! Employees raised \$441 in donations to the American Heart Association which was then matched by a generous donor for a total of \$882 going toward ending heart disease and stroke.



Casual for a Cause

Last month, UBB presented a check for \$890 to Joe McDonald from Volunteers Enlisted to Assist People (VEAP). UBB's contribution was collected as part of our Casual for a Cause program where employees who donated \$5 were able to wear jeans on designated days.



Keeping the Community in Community Banking

Tri-County Bank & Trust Company • Roachdale, IN

In the heart of west central Indiana, lies the town of Roachdale. In addition to being home to one of only 800 remaining Carnegie Libraries still standing in the U.S. and their famous, Fourth of July carnival roach races, Roachdale is also the headquarters to Tri-County Bank & Trust Company. Founded in the late 1800s, Tri-County's mission is to "meet and exceed the expectations of customers and communities" and they do just that with their customer service in the bank and through their community service efforts. We sat down with Tri-County Bank & Trust Company's Trust Officer, Isaiah Foster, to find out what they do to Keep the Community in Community Banking.

What is your community most known for?

Our communities have a unique mixture of agriculture as well as a rich background in education and history.

Our Roachdale, Bainbridge, and Russellville locations are tight-knit farming communities with some of the best soil for farming and where everyone is your "friendly neighbor down the street". Putnam County is well known for the Covered Bridge Festival that is held every October. This celebration of the county's 31 covered bridges brings over 2 million people into the area each year. Putnam County is also home to DePauw University, a private liberal arts college.

Crawfordsville is the birthplace of astronaut, Joe Allen and home to Wabash College, a nationally ranked men's liberal arts college. The General Lew Wallace Study & Museum, another noteworthy site in Crawfordsville recognizes the author of the novel, Ben-Hur: A Tale of the Christ.

How is your bank involved in the community?

We donate thousands of dollars every year to area schools, the Boys and Girls Club, VFW, and other local charities. We also teach financial literacy to high school seniors.

Our staff members serve on several non-profit and school boards, coach sports, officiate sporting events, and are active in local charities and fraternal chapters.

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

We believe community service helps build meaningful relationships that go beyond banking and encourage all of our staff members to get involved in community events, organizations and service projects.

What makes community involvement important to you and your bank?

As a community bank, it is important to be involved and connect with those within the community. It is the relationships we build and the service our staff members provide, through events and projects that truly build our relationships within our communities.



Crawfordsville Peace Pole Project Donation Check Presentation



Tri-County Employees delivering donuts to Rockville Elementary School



Ribbon cutting after recent renovations to Crawfordsville downtown branch



Bank Name:

Tri-County Bank & Trust Company

Bank Charter Location: Roachdale, IN

Bank Representative: Isaiah Foster (Trust Officer)

Asset Size: \$205 million

Number of Locations: 5

Number of Employees: 43

Year Bank was Incorporated: 1892

City Population: Roachdale, IN – 890; Russellville, IN – 352;
Bainbridge, IN – 749; Crawfordsville, IN – 16,174

There's something special in knowing that we can make a difference in the lives of people outside of the services we provide within the bank.

What do you like best about your community?

We get to enjoy many of the qualities of small farm town living while also having all of the amenities you would ever need in a small city. We have great local restaurants, wineries, and breweries as well as successful local small businesses for shopping. A unique aspect of our communities is that many of the residents have lived here their whole lives. Because of this, everyone looks out for each other and is willing to help each other in times of need.

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

The best part about being a community banker at Tri-County Bank & Trust is being able to make a difference in the lives of those within the community. I enjoy seeing that new couple get their dream home, a small business owner who is able expand, someone fulfilling their dreams of becoming a business owner, and that farmer widening their operation as a result of purchasing new equipment or land. Being a community banker, it's an honor to genuinely see how your efforts are positively affecting the lives of those within the community.

2020 Community Bank Outlook

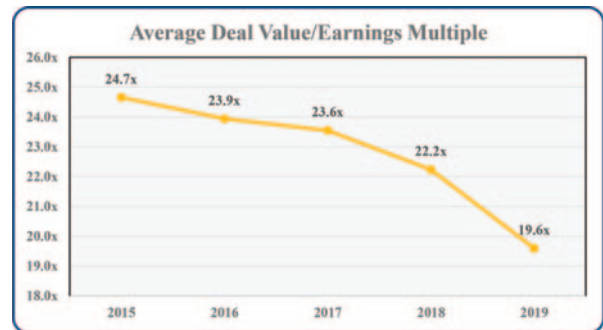
By Ed Usalis, BankValue Advisory Services

While community banks finished 2019 on solid ground, bank valuations have suffered due to shrinking net interest margins and declining returns on assets and equity.

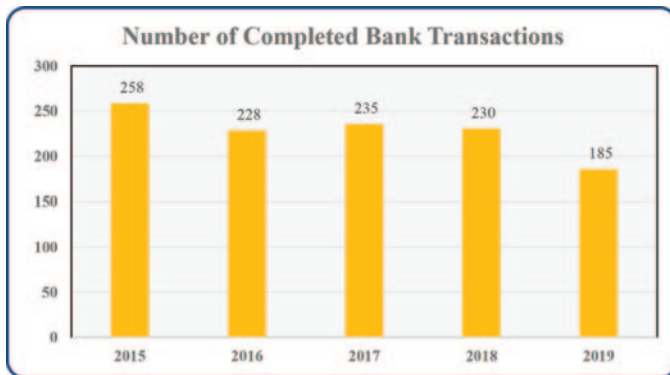
Selected Quarterly Banking Industry Statistics							
	2018Q1	2018Q2	2018Q3	2018Q4	2019Q1	2019Q2	2019Q3
Yield on Earning Assets	3.92%	4.09%	4.25%	4.40%	4.41%	4.40%	4.37%
Cost of Funding Earning Assets	0.60%	0.70%	0.80%	0.91%	0.98%	1.02%	1.02%
Net Interest Margin	3.32%	3.38%	3.45%	3.48%	3.42%	3.39%	3.35%
Return on Assets	1.28%	1.37%	1.41%	1.33%	1.35%	1.38%	1.25%
Return on Equity	11.41%	12.20%	12.46%	11.84%	11.93%	12.07%	10.96%

Source:
FDIC
Quarterly
Banking
Profile

The yield on earning assets has steadily increased over the past seven quarters, however the cost of funding those assets has increased at an even faster rate. Given the corresponding compression of industry net interest margins, valuations, as measured by earnings multiples, have declined as shown in the Average Deal Value/Earnings Multiple chart.



Source: S&P Global Market Intelligence.



Source: S&P Global Market Intelligence.

Even though bank transaction multiples remain historically strong, the recent decline in the transaction multiples may reflect buyers increased emphasis on the profitability of their potential targets. This emphasis on profitability may also be influenced by the year-over-year decline in the total number of completed bank transactions from 2018 to 2019.

The reduction in the number of bank transactions in 2019 may be signaling a broader economic slowdown. Historically, banks have been considered “early cyclical” indicators of the economy, meaning that the banking sector tends to weaken before the broader economy and strengthen before other sectors in a recession.

While there is no definitive evidence indicating that the economy has entered a recession, community banks can still expect to face several challenges in 2020 including:

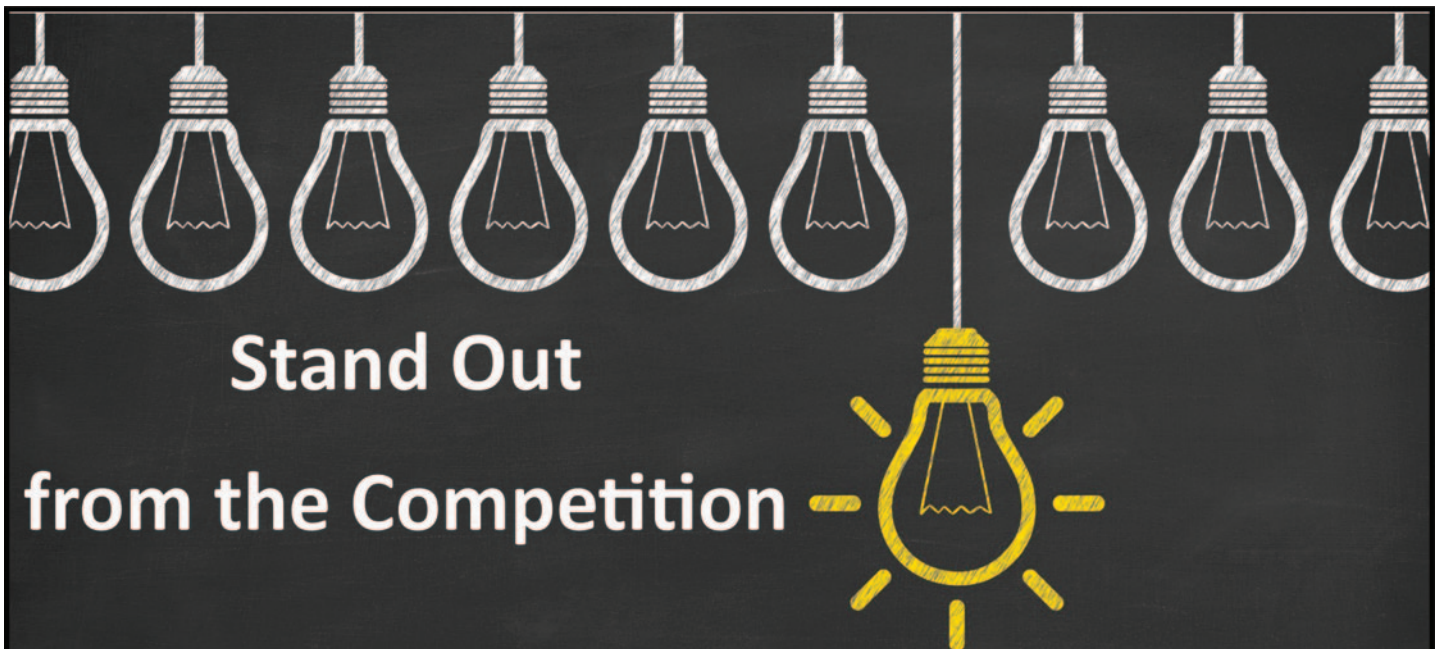
- Deposit growth
- Fierce competition for quality credits
- Potential credit quality deterioration
- An expectation for slower economic growth

These adversities underscore the need for management teams to remain vigilant. While the impact of these obstacles will vary among institutions, those community banks that develop and pursue strategies for profitable growth should ultimately receive the highest valuations.



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