UBB First for Your Success™

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

Independent

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Member FDIC

This Issue:

Share the Love

By UBB Marketing

Every day, all around the country, community banks are doing amazing things to build, support, and promote the communities they serve, ensuring their local economies are vibrant and growing.

This support doesn't go unnoticed, and United Bankers' Bank wants to spotlight the wonderful things community banks are doing in their communities. To do so, we encourage you and your team members to utilize the hashtag #communitybanklove in your social media posts that highlight your bank's support of its community.

How your community bank can participate in the #communitybanklove movement:

Social Media

Whenever you create a post showing your bank supporting its community, add the hashtag #communitybanklove to your post.

Promote

Request a supply of the I Love Community Banking decals for your team to display prominently on various items such as:

- Reusable Water Bottles
- Laptop Covers
- Computer Monitor Stands
- Cell Phone Cases
- Notebooks and Folders
- Bank Lobby Entrances
- Teller and Drive-Thru Windows and Tubes

Share the Love continued pg 2

Dwight Larsen A note from the President

I've said it before, and I'll say it again; we work in the greatest industry in the world. There are few, like community banking, where you get to see firsthand the positive impact you have on an entire community. The services provided by community banks allow individuals to achieve dreams, set a course for their future, and improve their way of life and the lives of their families. The positive impact of this support strengthens and ensures that local economies are growing and thriving.

The amazing work that community banks do is not occasional but an everyday occurrence. At United Bankers' Bank, we see the impact community banks have all over the country. We are spearheading an effort to ensure the extraordinary work done by community banks doesn't go unnoticed. With that said, the cover story for this issue is about a social media initiative to spotlight the wonderful things community banks do in their communities. We call it the community bank love movement. From using the hashtag **#communitybanklove** when your bank creates social media posts supporting a local organization or cause to displaying "I Love Community Banking" decals throughout your office, we want you to show your pride for the industry we love so much. Through this movement, UBB will spotlight banks and their efforts to make this world a better place, one community at a time.

Quality talent acquisition and retention have been hot-button issues for quite a while now. Making things even more challenging is a growing trend called 'quiet quitting'. USource Vice President, Bob Greening, discusses the concept of quiet quitting and what you can do to address it.

As we grow closer to the launch of the FedNow Instant Payments program, our Q&A touches on the differences between RTP, FedNow, and Pidgin (UBB's Instant Payments Solution). Also, BankValue discusses rising interest rates' impact on 2022 M&A activity.

In this issue's Employee Spotlight, we feature Cassie Orloske, Data & Deposit Services Manager. Learn more about Cassie on page 4. Then, flip over to page 6 to find out how Lakeview Bank is *Keeping the Community in Community Banking*.

UBB is excited about the start of a new year, and it is only fitting to kick it off by honoring all of you working day in and day out to ensure your communities are great places to call home. Thank you for everything you do. As the nation's first bankers' bank, you can count on UBB to be first for community banking and always *First for Your Success*.

Share the Love from pg 1

To request a free supply of **I Love Community Banking decals complete the form at** www.communitybanklove.com.

Giving Back Contest

UBB is currently hosting a contest through the end of year to encourage participation in the #communitybanklove movement and support the work community banks are doing in their communities.

2 Ways to Participate

1. Use the hashtag #communitybanklove in social media posts that highlight your bank supporting a cause in your community. If your bank's post is selected, we will make a $250 donation in your bank's name to the cause featured in your social media post. Prize donations will be awarded in June, September, and December.

2. Take photos showing how you're displaying the I Love Community Banking decals and email them to ubb.marketing@ubb.com, so we can feature them on the UBB's social media pages. We will select one lucky winner each month and award them a $25 Gift Card!

The hashtag #communitybanklove is a way to view how community banks give back to their communities on social media while providing community banks, like yours, the recognition and love you deserve.

Celebrate being a community banker all year and show your community bank love today!

What are the differences between RTP, FedNow and Pidgin?

RTP (Real Time Payments) is a good system and is live now. They process a growing number of payments between the largest banks, and some volume goes to community banks. The Clearinghouse, which operates RTP, is owned by the largest US banks. As competitors and owners of RTP, the interests of these large banks are most likely focused on the platform's profitability and less on what is in the best interest of community banks. From applying a one-size-fits-all approach to requiring sending banks to have a joint account with a balance managed by the Clearinghouse, community banks might find RTP a challenge in meeting their specific needs.

FedNow is on track to be live in 2023, with the Pilot phase beginning in Q3 of 2022. FedNow is the rails of an instant payment method operated by the Federal Reserve Banks whose mission is to foster the stability, integrity, and efficiency of the nation's payment system.

In general, the Fed does not compete with community banks, and banks sending FedNow payments can use their existing accounts for payment settlement.

Pidgin is an Instant Payment solution created by UBB and VSoft specifically designed for community banks, enabling them to process and settle their payments through UBB. Pidgin will work with a variety of business and personal payment options (P2P, C2B, B2C, B2B). It operates on an interoperability model that utilizes the most feasible and efficient payments routing method (payments can process through FedNow, RTP or on the Pidgin network). It is simple and secure!

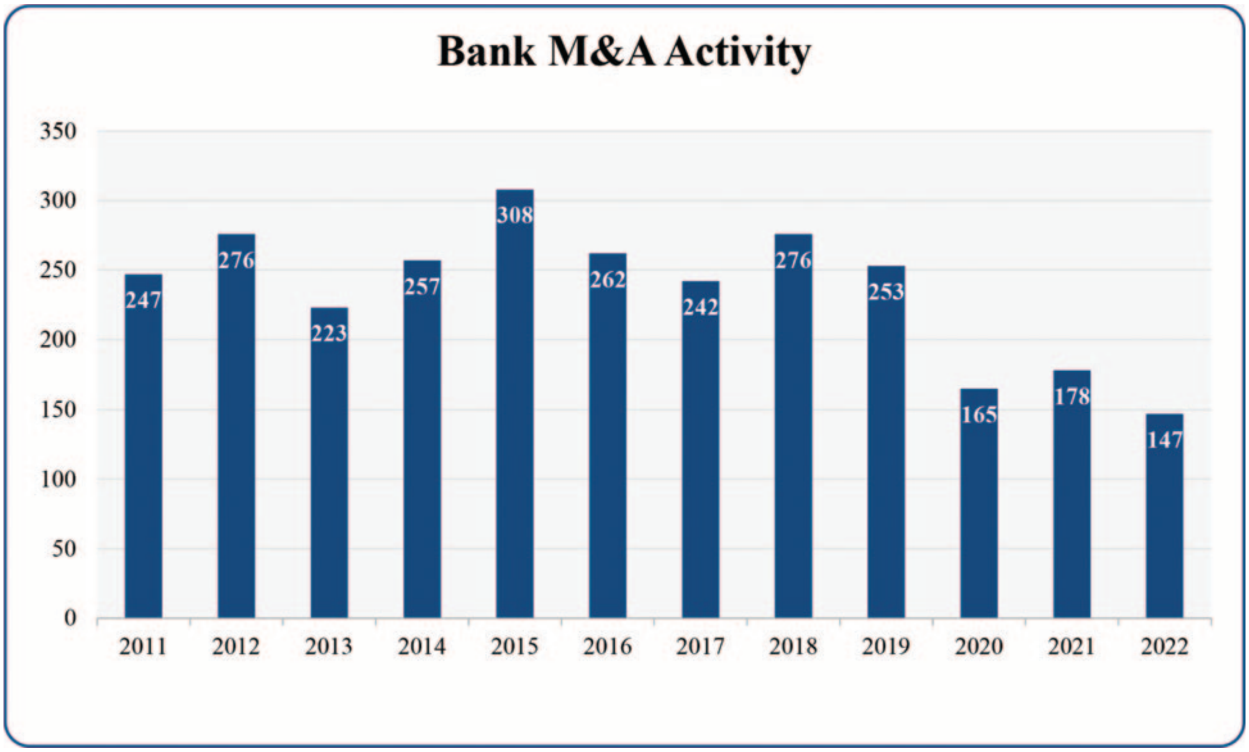
Our best bit of advice is to leverage your existing relationships to explore what might work best for your bank in the instant payments market. **United Bankers' Bank is happy to serve as a resource as you explore your instant payments options.**

Bank M&A
In A Rising Interest Rate Environment

By Mike Klinger, Vice President, BankValue Manager

Deal activity in 2022 will surely be as strong as it was in 2021, right? Well, not so fast. All indications were that 2022 bank M&A activity would continue at the pace seen throughout 2021, but that was before several factors put a damper (albeit temporary) on transactions. The war in Ukraine, record-high inflation, an increase in interest rates, and decreases in equity valuations have all impacted deal-making in 2022.

The following chart shows the number of completed bank mergers and acquisitions since 2011 throughout the United States.



Source: S&P Global Market Intelligence (www.marketintelligence.spglobal.com)

While the number of deals completed in 2021 is slightly above the number of deals completed in 2020, it was still below pre-pandemic levels due to the continued impact of COVID-19. Throughout 2022, the total number of completed transactions was below 2021 and 2020.

While the aforementioned factors certainly contribute to a decrease in deal activity, the most significant factor remains to be fair value accounting and how it relates to a bank's accumulated other comprehensive income ("AOCI"). Another way to look at it is a bank's unrealized losses in its bond portfolios. When interest rates go up, many banks' unrealized losses go up. Available for sale ("AFS") securities are held at fair market value and will continue to fluctuate with the market and changes in interest rates. However, an unrealized loss in an investment portfolio does not impact a bank's ability to lend, as unrealized losses are added back in for regulatory capital ratio calculations.

While the losses are classified as "unrealized," when looking at a bank from a fair market value standpoint (meaning a willing buyer and a willing seller), a sale of a bank would turn unrealized losses into realized losses. This scenario causes numerous accounting implications from a buyer's and seller's point of view. These implications are a significant reason why deal-making has slowed in 2022 and will likely continue well into 2023.

Mike Klinger, Vice President, BankValue Manager • 952-886-9525 • michael.klinger@ubb.com

United Bankers' Bank
Call Report (unaudited)
12/31/2022

Balance Sheet (000's)

Assets:	
Cash and Due from Banks	$ 114,533
Investments	$ 189,324
Fed Funds Sold & Securities Purchased Under Agreement to Resell	$ 168,276
Loans	
Outstanding	$ 729,057
Loss Reserve	$ (11,925)
Other Assets	$ 50,147
TOTAL ASSETS	$1,239,412
Liabilities and Capital:	
Deposits	$ 724,248
Fed Funds Purchased	$ 337,158
Other Liabilities	$ 61,075
Equity Capital	$ 116,931
TOTAL LIABILITIES & CAPITAL	$1,239,412

INCOME STATEMENT (YTD)

Interest Income	$ 35,432
Interest Expense	$ 9,090
Net Interest Income	$ 26,342
Loss Provision	$ –
Net Interest Income (After Provision)	$ 26,324
Other Income	$ 18,140
Total Income	$ 44,482
Operating Expenses	$ 33,063
Securities Gains (Losses)	$ (2,130)
Net Income Before Taxes	$ 9,289
Tax	$ 2,327
NET INCOME	$ 6,962

Family Members: Husband, Jason and 2 sons, Ronan (15) and Liam (12).

Pets: Mini Australian Shepherd, Flynn.

What do you listen to on your drive to work: True Crime & History Podcasts.

Interests: Reading, camping, volunteering, and crossword puzzles.

If I could live anywhere in the world, I would live in: London. I just took a trip to England/Wales with my sister, and I really loved London!

If I could have one super power (besides flying), it would be: Super Speed... so much to get done, yet so little time!

Many people don't know that: I was an Olympic Torchbearer in 2002. I carried the torch in Montana as part of the torch relay leading up to the Salt Lake City Winter Games.

If I was not working in banking, I would: Be a Librarian. I love reading, so being surrounded by books everyday would be a dream!

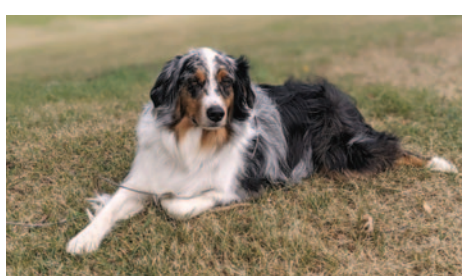
I started working at UBB in: June 2002, in the marketing department working for Chuck Hokans. Chuck was a wonderful mentor.

My favorite part of working for UBB: All the fantastic co-workers I have had over the years! I have learned so much from the people I've worked with!

The best advice I ever got was: When you have more than you need, build a longer table, not a higher fence.

First For Your Success means: In each interaction we have with our customers, we have an opportunity to demonstrate how much we value them and are partnering with them to help them succeed.

Cassie at the Tower Bridge in London.



Cassie's dog, Flynn, camping at Fort Ransom State Park.

Sunrise near one of Cassie's family fav camping locations - Medora, ND.

Quiet Quitting in the Workplace

By: Bob Greening, Vice President, USource

The phenomenon of "quiet quitting" in the workplace is growing in recognition. It often refers to workers fulfilling their job description duties while refusing to go above and beyond or invest emotionally in their work. Over 50% of workers surveyed by Gallup in June 2022 say they feel this way about their current positions. Other quiet quitters take it to another (lower) level, as a ResumeBuilder.com survey in August 2022 indicated that 21% of employees are only doing the bare minimum required. We've all heard the phrase "phoning it in" at the office, but why is it happening and what, if anything, can an employer do about it?

The factors behind this trend vary, but many survey respondents indicated they are burned out and desire to re-focus their lives. In essence, quiet quitting refers to the personal decision to cease putting in too much effort at work. Some do this because they recognize that, despite their effort, working long hours or overachieving doesn't do them any good. These individuals may think more about what they are missing out on than what they gain by going above and beyond. They yearn for a better work-life balance and might become satisfied being average employees who set healthy boundaries for the work aspect of life, even saying no to extra responsibilities outside their role or when faced with unreasonable expectations.

The problem of quiet quitting parallels the Great Resignation in which people started reflecting more about their workplaces, how they wanted to spend their time and what's most important to them. Some were forced into this by the unfortunate layoffs, while others experienced new stress levels. Many concluded that it was not always about money or position but rather the need for personal time and priorities such as being a parent or acting as a caregiver. As things began to recover, many people looked for new jobs, with those left behind questioning how much effort they should put into their work. This idea contributed to the growth of the "quiet quitting" phenomenon.

Quiet quitting isn't necessarily a new problem. There have always been individuals who intentionally don't perform up to their full capabilities, though that was considered a performance issue. What organizations need to understand now is that employees are redefining the relationship between employers and employees. Employees are no longer buying into the mentality that success means "work always comes first." While there are many reasons employees quietly quit, how valued the worker feels vs. how they value themselves is also vital.

In the last few years, employees across various ages and income brackets have experienced higher fatigue, burnout, and general dissatisfaction influenced by the pandemic, social unrest, economic concerns, and more. A noticeable difference between younger generations and Gen X or baby boomers is that young people are airing their dissatisfaction publicly on social media, increasing awareness of what is happening with the workforce. Workers who felt this way in the past might have been hesitant to say anything due to the fear of burning bridges at their current workplace or alienating potential employers. However, younger generations are more determined to feel fulfilled in their jobs and personal lives. Ultimately, they expect and demand employers recognize that and promote policies encouraging work-life balance.

Indicators of Quiet Quitting

- Missed deadlines and goals
- Lack of participation in meetings
- Decreased interest in sharing input
- Increase in absences and sick leaves
- General withdrawal from employer's culture
- Heightened cynicism

How to Address Quiet Quitting

The good news from the employer's perspective is many people who could be classified as quiet quitters can be persuaded to work to their full potential.

Employers need to do more than touch base with employees; they need to better understand and empathize with them. Most organizations should be taking the pulse of people on a daily or weekly basis instead of focusing on annual engagement survey results.

Have frequent conversations with employees, including a development strategy to provide more personal support or personalized motivation, such as supporting their educational goals or interests. The conversations aim to better understand employees' day-to-day assignments, make a personal connection, and

USource continued pg 7

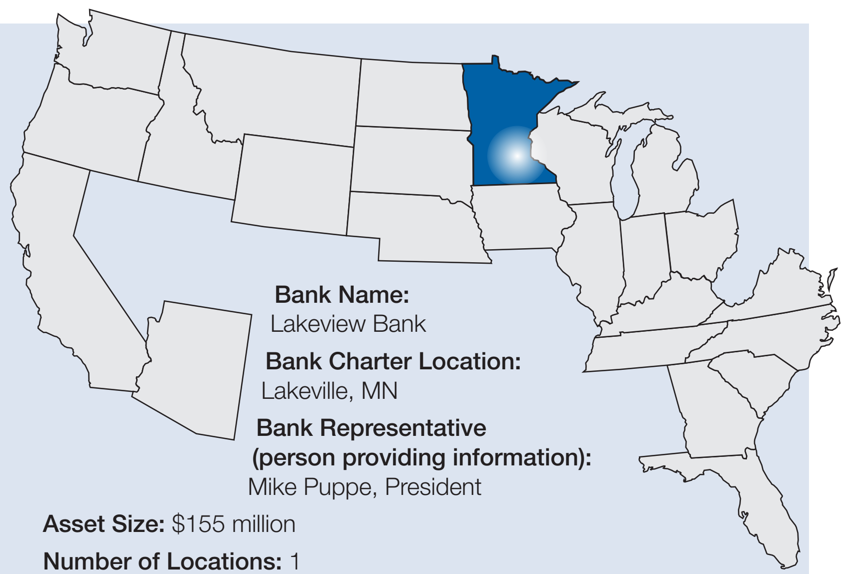
Keeping the *Community* in Community Banking

Lakeview Bank • Lakeville MN

About 20 miles south of downtown Minneapolis, Lakeville began as a military road connecting Fort Snelling in St. Paul to other southern Minnesota military bases. Now a booming suburb, Lakeville is one of the fastest-growing cities in the Twin Cities area. Located in the heart of Lakeville, Lakeview Bank is a dedicated institution driven by its determination to serve the financial needs and improve the quality of life in its community. We sat down with Mike Puppe, President of Lakeview Bank, to find out more about how Lakeview Bank is *Keeping the Community in Community Banking*.

Lakeview Bank's Adopt a Highway Team

Lakeview Bank President, Mike Puppe



Bank Name:
Lakeview Bank

Bank Charter Location:
Lakeville, MN

Bank Representative (person providing information):
Mike Puppe, President

Asset Size: $155 million

Number of Locations: 1

Number of Employees: 21

Year Bank was Incorporated: 2004

City Population: 72,812

What is your community most known for?
With its picturesque landscapes, Lakeville is a haven for outdoor enthusiasts. Our parks, lakes, and recreational areas provide endless cultural, recreational, and leisure opportunities. Lakeville is renowned as one of Minnesota's premier communities, with a top-ten chamber of commerce, outstanding schools, and a thriving business community. The city's historic downtown, industrial, and high-tech business parks contribute to its growth while preserving the charming small-town atmosphere and high quality of life that make it exceptional.

How are you involved in your community, and how do you encourage community involvement?
At Lakeview Bank, we believe in the power of community and the importance of giving back. For the past 17 years, Lakeview Bank has acknowledged individuals in our community who embody our bank's core values through our Legacy Award. These individuals, through their personal and professional conduct, exemplify integrity, honesty, respect, a service-oriented attitude, and professionalism.

We also support local charities, organizations, and events that align with our values and mission. From sponsoring local sports organizations to volunteering at community events, we strive to positively impact the lives of our customers and the community as a whole.

What makes community involvement important to you and your bank?
Our directors and employees take great pride in contributing our financial resources, time, and talents to enhance the communities in which we live and work. Last year, we donated over $49,000, with $10,000 directed by our employees. Over 50% of these funds were directed toward human services organizations to enhance the lives of students, families, and businesses in our community.

2022 Legacy Award Recipients

What do you like best about being a community banker?
One of the greatest benefits of being a community banker at Lakeview Bank is the opportunity to build relationships with members of our community. As a locally owned and operated bank, our ownership, employees, and members all have a vested interest in the well-being of our community. This drives us to support local businesses and contribute to economic growth. We strive to offer the personalized and friendly customer service of a neighbor while also providing the same products and opportunities as larger banks.

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improve the employee experience. Then create/implement programs to make it happen!

Be sure your employees know that flexibility is available to them as much as the workplace permits. This could include granting employees more control over timelines or deadlines, shifting away from clearly arbitrary rules, or making similar allowances. Trusting employees to function this way may take a leap of faith but can pay dividends down the road.

Reduce the unknown with well-defined and sustainable work practices. For example, everyone should know how communications are handled across the company, how the work performed contributes to the overall mission, and how those who do high-impact work are recognized. That level of clarity and predictability can go a long way.

Organizations must realize and acknowledge that employees are redefining work and will no longer play the game the same way. Employees who feel more included and valued, especially by their manager, typically have higher levels of well-being, leading to greater job engagement and a higher likelihood of putting in additional effort to help the organization and fellow workers.

It is important to remember that quiet quitting by employees usually isn't so quiet to perceptive organizations. In uncertain economic times, with recession talk a frequent occurrence and reductions in the workforce on the table, organizational management should evaluate the impact of individual employees and how they are contributing to the attainment of organizational goals. Employees should have better work/life balance and boundaries yet still perform at an achievable level for career success. The elimination of quiet quitting in the workplace can and should be a "win-win" for all.

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

UBB Welcomes

Erich Blaufuss
Erich started with UBB in October as an Information Security Manager in our IT Department. Erich came to UBB from the Minnesota State Board of Investments and will be managing UBB's Information Security Program and cybersecurity oversight.

Chuck Ogden
Chuck joined UBB in November as a Loan Review Consultant. Based out of Nebraska, Chuck brings over 25 years of banking experience to UBB's Loan Review Team.

Matt Schoen
Matt started with UBB in December as a Portfolio Manager and brings over ten years of experience to UBB's Lending team.

Traci Kaske
Traci joined UBB in January as a Senior Human Resources Consultant. With over 20 years of HR and banking experience, Traci will be joining the USource team.

Kendra Kong
Kendra started with UBB in January as an Operations Support Specialist in our Operations Department. She has over 5 years of banking experience.

Announcements

What You Can Do to Prevent Wire Fraud Webinar – Recording Now Available!

December's Lunch & Learn Webinar focused on 4 key wire fraud topics: Training (front line and wire staff), Verifying (wire details and requester identities), Identifying (red flags) and Reporting (suspected or identified fraud).

Due to the positive feedback we received, a recording of the presentation is now available on our UNET.web online platform. UNET users can visit the Resources section and find the video channel link under Manuals & Tutorial Videos.

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