



Great Lakes
BANKERS BANK

300 West Wilson Bridge Road
Worthington, Ohio 43085
614-864-3883 phone
800-227-9593 toll-free
614-396-0177 fax
www.greatlakesbb.com

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Charlotte Martin,
President & CEO**
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THE JOURNAL

Winter, 2012

And the winner is...

Anyone who is able to stay up until the end of any of the many awards shows this time of year. At this point, the Fall season's new shows have faded, football season is officially over, and there are no Winter Olympics to fill the nights. To fill the void we are "blessed" with one award show after another. The red carpets are crowded with hopefuls wearing dresses costing more than an entire wardrobe. The insiders are seen exchanging inside jokes while every presenter feels obligated to be funnier, wittier, and more insightful than the previous. Stars will struggle to reach the stage where they will deliver acceptance speeches worthy of Mother Teresa's efforts, while thanking everyone they have ever met until they mercifully cue the music. Maybe it's my age or maybe it's the material, but I'm generally asleep before they present any of the significant awards. If I'm really interested, there is always the internet in the morning.

Despite all the silliness of these made up awards, I'm going to take to the podium and recognize the efforts of all those who make our great production possible. The nominees in the category of best supporting roles include the following: In the category of lifetime achievement, First Data has been the engine driving our check clearing business. They have been helpful, efficient, and friendly and we thank them. We will be introducing a new co-star later this year as First Data exits this particular stage (watch your mail for more on this!). Our next nominee is the staff of Community Mortgage Network. Through the ups and downs of the housing market, refinance booms or busts, and the good old days of normal business CMN has made it possible for our clients to sell their loans into the secondary market. In the category of best foreign entry, the nominee is Travelex. As our trusted partner they enable our client banks to satisfy their customer's needs to wire funds internationally or obtain currency from anywhere. Our new-comer award goes to our partners in Great Lakes Capital Markets Group, the team from Boenning & Scattergood. In particular, the efforts of Tom Dooley, Nick Bicking, Chad Hull and Tom Washall deserve recognition.

In the category of best technical support the nominees include some unsung heroes. Like any bank we occasionally need legal advice. The staff of Bailey Cavaleri LLC, consistently and effectively address a variety of legal issues for us. Other lawyers include Jim Maniace as our "go to guy" for real estate issues and Jeff Smith who is always ready to lend an ear or idea. In the category of trade associations we recognize Community Bankers Association of Ohio, Community Bankers of Michigan, The Michigan Bankers Association, The Ohio Bankers League, along with the national trades for protecting our industry. I also want to recognize the accountants we work with including BKD, Plante Moran, and Weldon Jordan and Associates and our friends at Dixon, Davis, Bagent and Company. While bankers may grouse about regulators, we value the advice and feedback we receive from our teams at the Federal Reserve and the State of Ohio.

My last award goes to the best ensemble cast in correspondent banking and community bank consulting – the combined staff of GLBB and F&M Credit Services. They make working here a joy for me and based on the results, our clients must feel similarly about them. Like all award winners, I want to thank our shareholders for making this all possible, our directors for their guidance, and most of all you, our clients and future clients. Award shows recognize the efforts of the performer. From my perspective they are actually a reflection of the satisfaction of the audience. While awards may champion excellence in effort, we all know on some level they are a reflection of popularity and recognition. I learned this from my mother who one day explained that Ingmar and Ingrid Bergman were two different people. The way she saw it, Ingmar Bergman made great films she didn't understand and Ingrid Bergman starred in good films she enjoyed watching. While it's nice to have one's efforts recognized, what's more important to us is providing you with great services and ideas you can profit from, as we remain dedicated to serving, preserving and promoting your needs!

Charlotte Martin

Training & Development – Is it Still Important in Today's Workplace?

By Scott J. Hinsch, Jr.

A good definition of training and development is "Activities within an organization aimed at improving the work performance of individuals and groups". Your personal perspective of employee training and development - what it means to you - is more important. After all, you may be the one who approves the payment for training at your bank. Common thoughts are, "training is expensive", "the commitment of time and effort are too much", and "do what is necessary and nothing more". If you have similar thoughts, consider yourself in the majority. Even the very best managers in today's workplace feel like this and it is easy to understand why. Today, community banks are challenged to produce a ROA and ROE that satisfy the shareholders of the institution. Often balancing the successful formula of increased training efforts (i.e. increased expenses) and increased ROAs and ROEs is difficult to reconcile in your mind. However, the connection between these key metrics not only exists, it is likely far more significant than you realize.

Retaining good employees is crucial to consistently producing desirable ROAs and ROEs. National surveys demonstrate that today's workers consider several non-financial factors (items not involving salary and employee benefits) as critical to their job satisfaction. As you might expect, some form of periodic recognition and appreciation for their work is number one on the list. Right behind this are two factors managers and supervisors can, but often do not perform. The first is directly relevant to what employees are learning or not learning. Most employees do want to learn more, so they can do more, so they can earn more and in turn your bank will benefit more. The second factor relates to employee tasks and responsibilities. From time to time most employees want the opportunity to do something new and/or different.

If you believe employee satisfaction relates directly to a community bank's performance, then believing in an effective commitment to quality training and development will help improve the institution's ROA and ROE, despite the cost of time and effort required. Keep in mind, training costs are easy to identify while employee turnover costs are not. Community banks generally do not have a specific

expense category for "Employee Turnover Expense."

Ask yourself this question, "Do I believe when time and money are spent for training and development, this expense is really an important investment in my staff?" Those employees are the people who make your bank's customers satisfied and happy. If

updating equipment and technology is a must in order to remain current and competitive, then it also follows that your employee's skills should be updated too. Salary expense is the largest NIE expense you have, so why skimp on the most significant area?

Finally, consider whether you reached your current job grade and level of success on your own. If you did, congratulations on being an individual of high intelligence and great talent. If not, try to recall some of the training sessions you attended and how they helped you reach your current level of success. Someone, or perhaps several "someones" decided to make a "training investment" in you, and aren't you glad they did?

The next time the topic of training and development comes up for discussion at your bank, hopefully you will view the money and resources spent as more than just another expense. Perhaps you will take the opportunity to instead, consider the dollars spent as a great investment in the present and future of your community bank.



SCOTT HINSCH is currently the Managing Consultant of F&M Credit Services. Prior to joining F&M he started and ran his own training company. A community banker for over 30 years, he most recently was the CEO of a billion dollar community bank located in Ohio.

“Hackers and Trackers and Hijackers, Oh My!”

By Elizabeth Woodruff

Be On The Alert For Fraudulent Wire Transfer Requests

Many of us receive alerts from multiple sources regarding a variety of fraud scenarios. Are you sharing those alerts with your front-line staff and wire transfer departments? GLBB has seen frequent incidents recently of our client banks becoming the victims of wire transfer fraud. Please share these scenarios with your staff, especially any employees who are involved in wire transfers.

Corporate Account Takeover

The current buzz is “Corporate Account Takeover.” In this scenario, an employee of one of your business customers receives a targeted phishing email. The email might appear to be from the Better Business Bureau, the IRS, NACHA, EFTPS, etc. The email may even contain their name while giving a compelling reason to click on a link to get more information. By clicking on the link, the employee may come to an invalid web site, or receive a message that the alert has been removed. The main purpose of the link is to enable a fraudster to download malware to the user’s computer which will install “key logging” software. Once the user has clicked on the link, the fraudster is able to capture the web addresses of the sites visited by the user, and worse yet, their user ids and passwords.

If your customers can initiate wire transfer or ACH files via your online banking website, you need to heighten your scrutiny of these transactions. How can you ensure your user’s credentials were not hijacked? The FFIEC has provided a recent supplement to their 2001 Authentication in their Electronic Banking Environment guidance. The guidance provides valuable recommendations as well as expectations for minimum security controls your bank should have in place.

Faxed or Emailed Wire Transfer Requests

Banks have received faxed or emailed requests from clients to send wire transfers. While some of the attempts we have seen were not that sophisticated, they were still successful. The requests may even appear to have the client signature. Without following up with the client to confirm the request,

the banks have sent the wires, sometimes to other countries. In these scenarios, the funds are usually immediately withdrawn by “mules”, or individuals who are asked to receive and withdraw the funds, in exchange for a

small portion of the transaction. Once the bank has sent these wires, recovery of the funds is extremely unlikely. One of our client banks recently lost over \$100,000 through this type of scam.

Banks must improve controls over the release of electronic funds transfers, including wire transfers and ACH. Consider “out of band” verifications of requests. Clients work with community banks because they appreciate the customer service and the extra steps you take. Turn electronic requests into customer service opportunities. If you receive an email or a fax request to wire funds, call your customer (at the number you have on your system, not in the communication) to confirm the transaction. It can be as simple as telling them you’ve received their request, and you’ll be processing their transaction right away. If the transaction was not authorized you’ll know it at that point and you will certainly have provided a service to your client either way.

Your Client May Bear Some Responsibility

In case studies we’ve read from other sources, we’ve learned that your client may bear some responsibility for the loss. If you become aware of a fraudulent attempt, it will be valuable to determine how the fraudster obtained the client’s banking information. Interview your client to determine whether they’ve shared their banking information recently.

We’ve heard scenarios where the client receives a phony phone call from the IRS, or some other official sounding entity, and they need to have some information faxed to



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them. Depending on what they request, your client may send your bank name, their account number, and their signature on the cover page. At this point, the fraudster has an actual fax cover sheet (or maybe letterhead) from your client that can be copied, an actual signature, and they now know the client banks with you. Then it's easy enough for them to find your bank online, find your fax number, or even call in to your frontline staff to ask for the fax number. If your bank has failed to demonstrate effective security controls, you will likely have to share in at least some portion of the loss. But your client also bears responsibility for protecting their banking information. Ideally you can avoid these uncomfortable, no-win conversations by taking a few extra steps on the front side to prevent the loss, while protecting your bank and your clients.

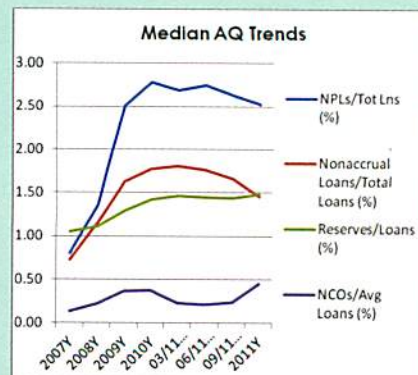
Please share these fraud scenarios today with your front line staff and wire transfer personnel. Evaluate your approval procedures. Protect your customer and your bank from financial loss, and protect yourself from the reputation risk of sending out unauthorized transactions.

ELIZABETH WOODRUFF is VP of Operations at GLBB and a former security officer at a community bank.

Credit is Coming Back!

After years of decreasing loan balances with increasing asset quality issues, it appears banks have turned the corner. Even if loan balances haven't rebounded to 2007 levels in all markets, at least their rate of decline has slowed. 2011 also saw a marked improvement in AQ levels in MI and OH. The teams at GLBB & F&M are ready to help you capitalize on these improvements.

We're ready to assist with participations and to validate your credit quality through loan review. You can depend on us for ideas you can profit from.



TOTAL LOANS AND LEASES

	2007	2008	2009	2010	2011
National	100.0%	100.8%	92.1%	93.5%	92.8%
Michigan	100.0%	79.7%	47.5%	41.5%	39.2%
Ohio	100.0%	119.1%	99.8%	99.9%	102.2%

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