

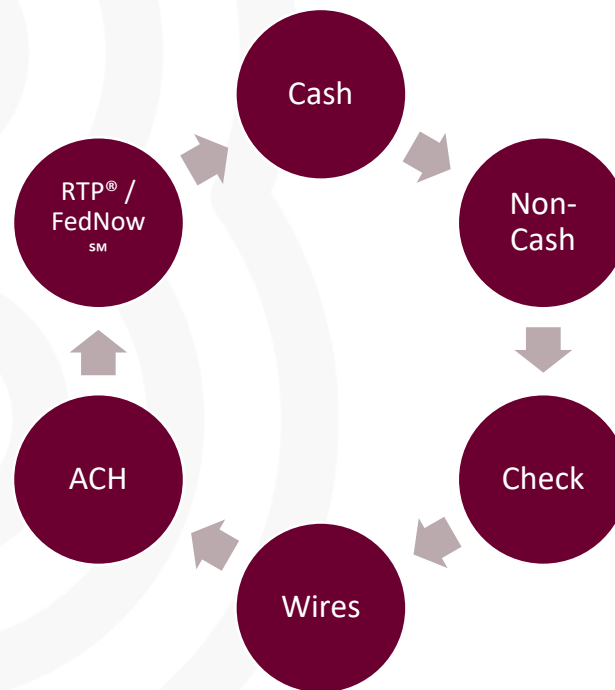


Why Instant, Why Now?

If you adopt instant payments, transactions will come.



Payment “rails” in the U.S.



US journey to instant payments.



RTP = 520+ FI's live, 90% of participants under \$10b in assets

76m individual transactions for a value of \$42bn for the RTP network for Q1 2024

14 days in Q1 24, had over 1m transactions vs. 3 days had over 1m transactions in all of 2023

US Journey to Instant Payments



FedNow over 600 FI's live

Micropayment testing underway

Transaction volume growing daily

Why Community Banks adopt instant?



Minimal to no back-office intervention

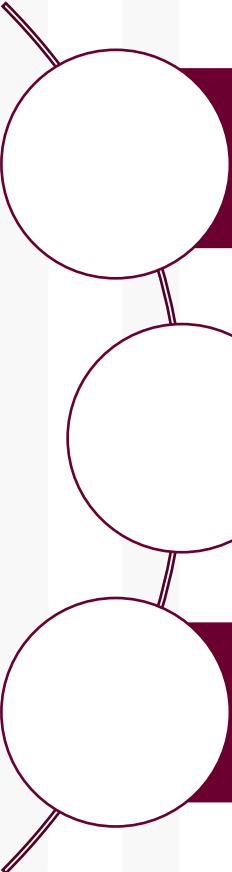
Instant confirmation with finality of payment (transaction & settlement)

Enable your customers/members to deposit into their DDA's when they want (24x7x365)

Does your bank charge for “foreign” ATM usage?



35% of SMB's would pay a fee to receive instant payments*



SMB's heavily rely on “ad hoc” (1 off) payments to sustain their cash flow

65% of SMB's total A/R volume is made up of ad hoc payments

7% of SMB's are “already” paying a fee to receive instant payments

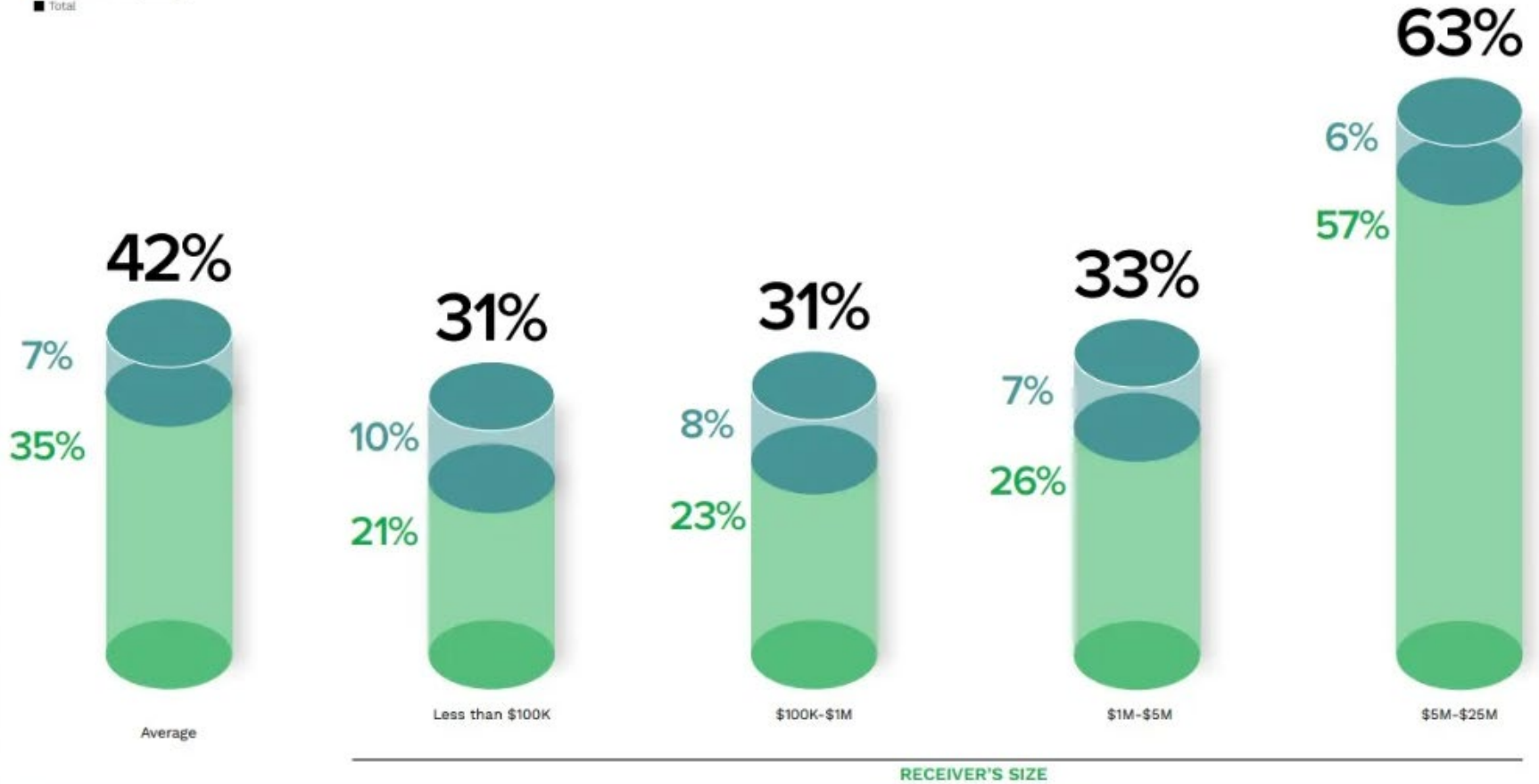
FIGURE 8:

Willingness to pay fees to receive instant ad hoc payments

Share of SMB receivers very or extremely willing to pay fees to receive instant ad hoc payments, by annual revenue

Source: PYMNTS Intelligence
How Instant Ad Hoc Payments Drive SMB Success, December 2023
N = 394. Complete responses, fielded Sept. 8, 2023 – Sept. 26, 2023

- Already pay fees
- Very or extremely willing
- Total



36% of consumers who chose to receive instant payments when given the option*



Minimal to no back-office intervention

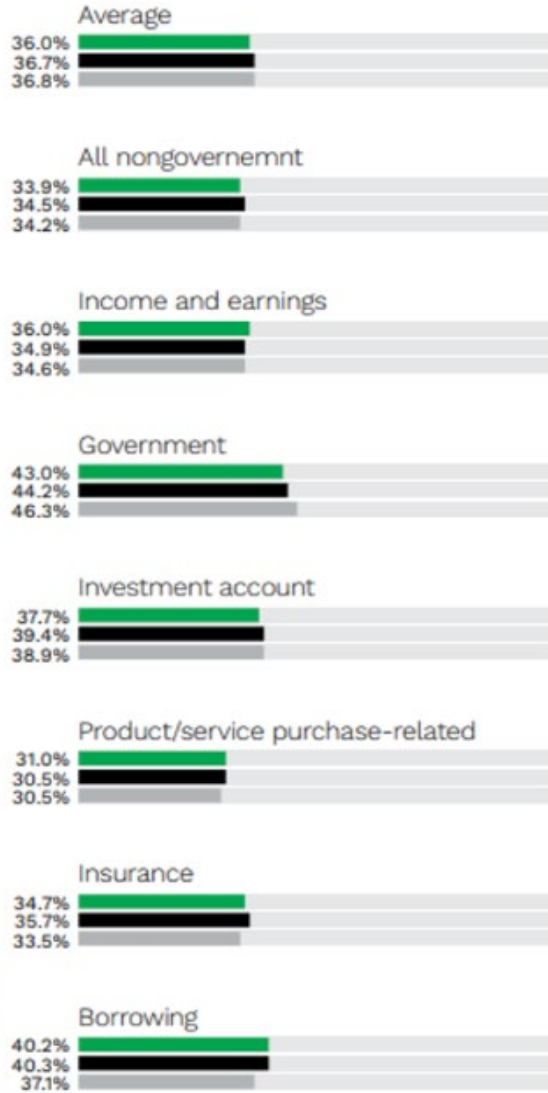
Instant confirmation with finality of payment (transaction & settlement)

Enable your customers/members to deposit into their DDA's when they want (24x7x365)

Types of disbursements received instantly

Share of consumers using instant most frequently for receiving select types of disbursements, over time

MAJOR CATEGORIES



SELECT INDIVIDUAL CATEGORIES



■ September 2023
■ June 2022
■ August 2021

Source: PYMNTS Intelligence
 Measuring Consumer Satisfaction With
 Instant Payouts, November 2023
 N = 2,606: Complete responses,
 fielded Aug. 28, 2023 – Oct. 4, 2023



**Are Community Financial
Institutions, problem solvers for
their customers/members?**

Instant Payments solve problems

- **Bank internal uses** – loan disbursements, loan payoff's, participation payments, expense reimbursement
- **Instant Payroll** – Earned Wage Access (EWA), gig economy and States with specific laws
- **Merchant Processing** – cash outs – Square, Elavon
- **M2M aka A2A transfers** – Investment, PayPal, Venmo, Digit
- **Traditional Payroll** – increase cash flow to businesses
- **RfP (Request for Payments)** – send an invoice over the network for instant payment of service (emergency repairs)
- **Bill Pay** – help stop the bleed of low usage to biller direct

Get Ready

RTP and FedNow:

- Brand new instant rails, built for the future
- Good funds credit push, never debit pull
- Straight thru processing – virtually no exception processing
- Irrevocable – think of RTP/FedNow as a 24/7/365 wire
- RTP and FedNow payments can be returned

Get Ready

RTP and FedNow:

- Instant settlement at the CFI customer/member level
- Instant settlement at the CFI settlement account level
- RTP transaction limit = \$1MM
 - Community Bank can have lower Send limits
- FedNow transaction limit = \$500K
 - Community Bank can have lower Send limits

Get Ready

RTP Settlement:

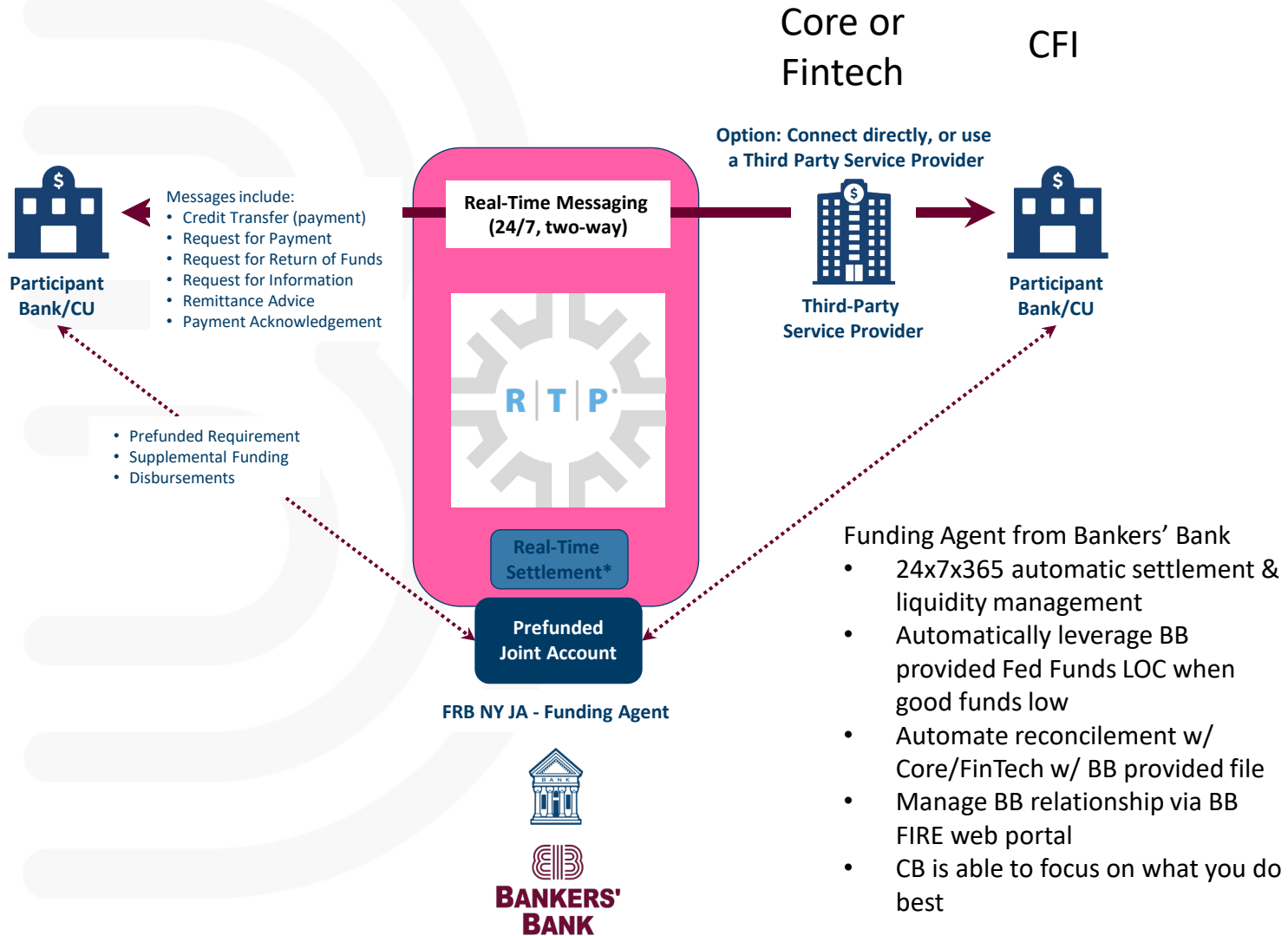
- All RTP Settlement takes place at FRB NY Joint Account
 - Self Managed
 - CFI opens a position in RTP Joint Account @ FRB NY
 - CFI moves to 7 day a week accounting
 - CFI has wire money in or out of RTP Settlement Account
 - Considering RTP Send?
 - RTP settlement is 100% good funds
 - CFI is 100% responsible for managing RTP JA position
 - RTP Send transactions can be declined for a lack of settlement funds

Get Ready

RTP Settlement:

- All RTP Settlement takes place at FRB NY Joint Account
 - Partner with your Correspondent Bank/Corp CU
 - Bankers' Bank Funding Agent w/ Smart LiquiditySM
 - 5 day a week accounting vs. 7 day a week accounting
 - 1 Net entry to you BB DDA account
 - RTP settlement reporting via FIRESafe
 - BB manages/monitors your individual position and provides on demand liquidity when participating in RTP Send

Partner with Bankers' Bank for RTP



Get Ready

FedNow Settlement:

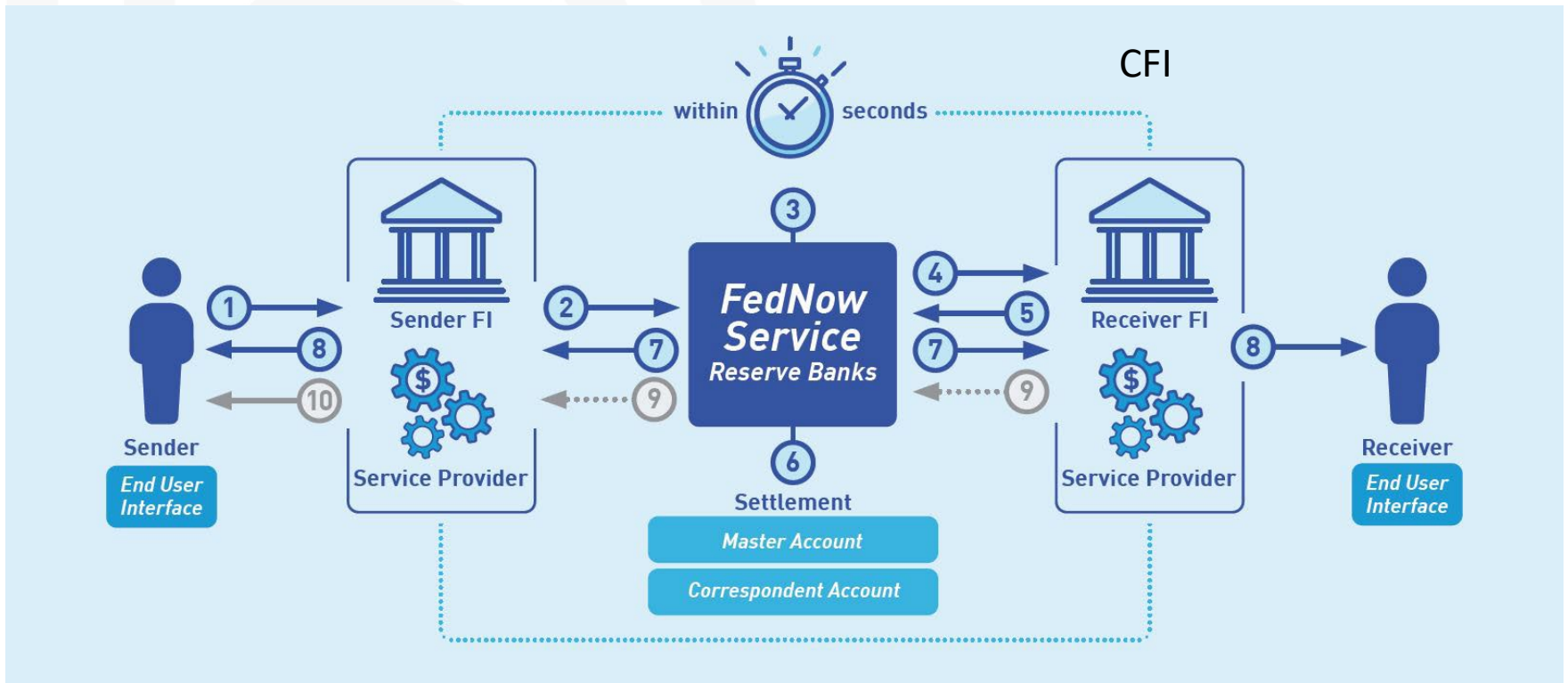
- Self Managed at your FRB Master Account
 - FedNow moves your Bank to 7 day a week accounting (only for FedNow)
 - No sub accounting available (FedNow transactions co-mingled with other Fed transactions/settlement)
 - If Sending – you CAN go negative at your FRB Master Account
 - Daylight/nighttime overdraft charges w/ self managed

Get Ready

FedNow Settlement:

- Partner with your Correspondent Bank/Corp CU
- Bankers' Bank FedNow Settlement w/ Smart LiquiditySM
 - 5 day a week accounting vs. 7 day a week accounting
 - 1 Net entry to you BB DDA account
 - FedNow settlement reporting via FIRESafe
 - BB manages/monitors your individual position and provides on demand liquidity when participating in FedNow Send – in development

FedNow transaction flow



Core or
Fintech

Bankers' Bank Faster Payments facts

\$103.5m settled via Bankers' Bank Funding Agent solution since June 2020 (225.2k+ transactions) – EOD 06/06/24

\$53.1m settled via Bankers' Bank Funding Agent solution since June 2020 (129.2k+ transactions) – EOD 09/13/23

Bankers' Bank RTP Settlement clients have received from 69 unique RTP S R/T's, if a CB can RTP S, 1,460+ RTN's to receive – EOD 06/06/24

Bankers' Bank Faster Payments facts



Stay on 5 day a week accounting with Bankers' Bank RTP & FedNow

Net entry to your Bankers' Bank DDA account

BB recommends participating on deploying RTP R in 2024, wait on FedNow R till 2025, pick a network to Send off of based on RTN analysis

Thank You!

Todd Koehn, VP /Faster Payment Solutions

(614) 772-1214

tkoehn@bankersbank.com

Footnotes

- Slide #6 <https://ncrc.org/how-the-governments-new-fednow-immediate-payment-system-will-benefit-consumers-and-banks-alike/>
- Slide #9 & #10 pymnts.com – February 21, 2024 & December 19, 2023
- Slide #11 & #12 <https://www.pymnts.com/news/faster-payments/2024/consumers-prefer-instant-payments-federal-reserve-and-pymnts-data-show/> and <https://www.pymnts.com/money-mobility/2023/what-we-know-after-6-years-of-asking-consumers-about-receiving-instant-payments/>
- Not cited <https://fedpaymentsimprovement.org/wp-content/uploads/051823-consumer-research-brief-1.pdf>