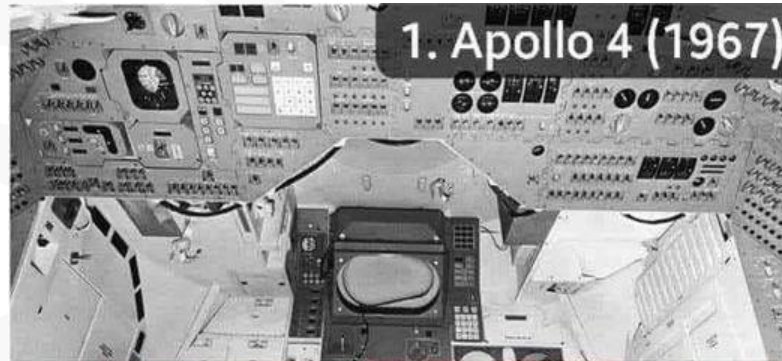


Strategically Planning for the Future of Faster Payments

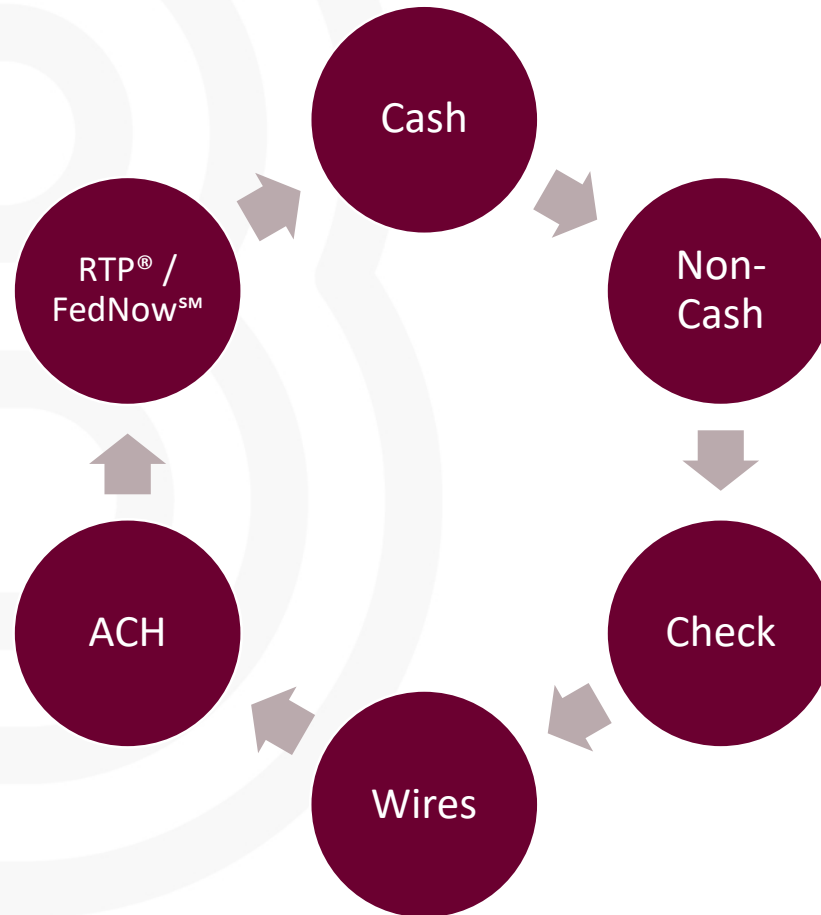
October 26, 2021



Has the US payments system kept up?



Payments “rails” in the US.



Faster payments in the future (2020)



Upwards of 70% of existing DDA's in RTP network at the end 2021, Zelle P2P live on RTP network in 2021

Fintechs/POS providers looking to joining RTP to speed up settlement, improve liquidity for SMB's

300 to 400 Community Banks in the network by end of 2021

Faster payments in the future (2021)



Upwards of 70% of existing DDA's in RTP network at the end 2021, Zelle live on RTP (2 Banks)

Fintechs/POS providers looking to joining RTP to speed up settlement, improve liquidity for SMB's

150 to 250 Community Banks in the network by end of 2021

Faster payment trends



0% to 20% of IA DDA accounts eligible for RTP today

100+ participants in FedNow Pilot

FedNow will augment private systems, not replace,
available in 2023

Bankers' Bank RTP facts

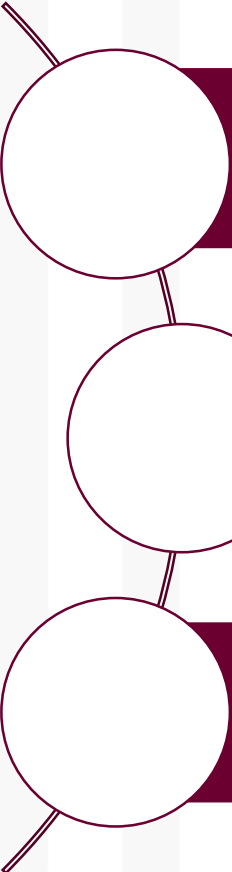


1st Funding Agent certified for RTP Receive – May 2020 (settled 1st transaction June 2020)

1st Funding Agent certified for RTP Send - December 2020 (settled 1st transaction December 2020)

Core agnostic solution

Bankers' Bank RTP facts



\$6.8+ million settled via Bankers' Bank Funding Agent solution since June 2020 (13.8k+ transactions)

RTP settlement as a managed service, so your Bank focuses on what you do best

Always your partner, never your competitor.

Bankers' Bank Funding Agent nominated & won for Operational Efficiency!



AITE GROUP IMPACT INNOVATION AWARDS

Cash Management and Payments Impact Innovation Awards

Faster Payments problems to solve

- Bank internal uses – loan disbursements, expense reimbursement
- Instant Payroll – work today, paid today (not to a prepaid debit card), Gig economy/State Law
- Merchant Processing – Square, Elavon
- Traditional Payroll – increase cash flow to businesses
- A2A transfers – PayPal, Venmo, Digit – cash outs
- 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

RTP – consists of two things

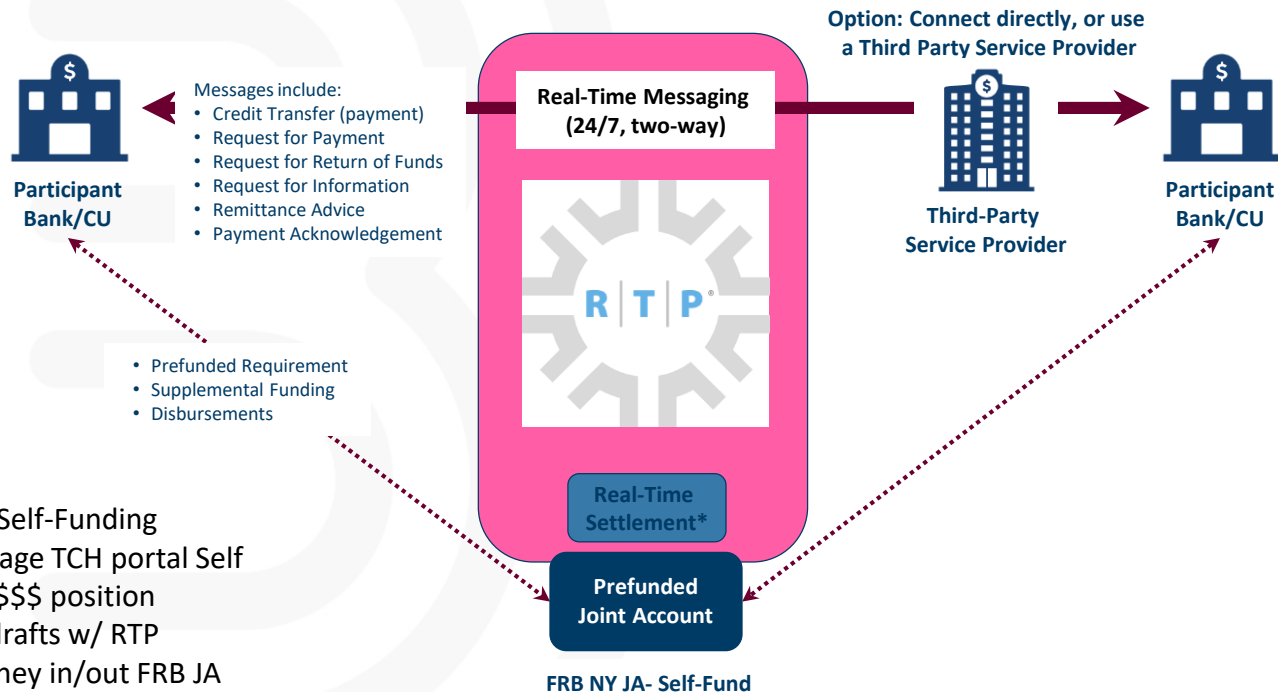
Transactions

- Third Party Service Provider
- Direct (DIY)

Settlement

- Third Party Service Provider (Funding Agent via FRB NY JA)
- Direct (DIY - FRB NY JA)

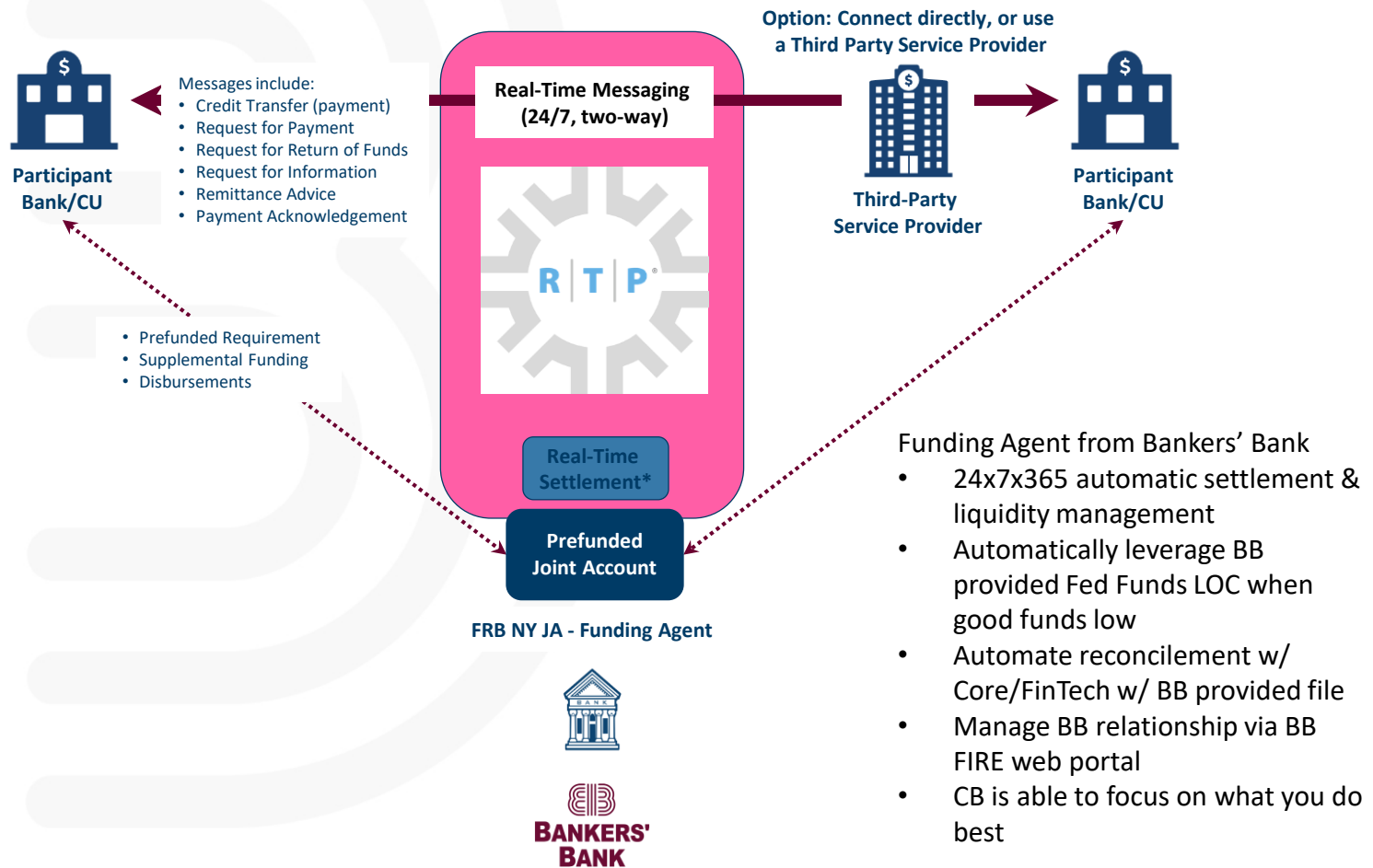
RTP Explained: 24/7 two-way messaging, with a real-time settlement model



Self Manage/Self-Funding

- Self-manage TCH portal Self manage \$\$\$ position
- No overdrafts w/ RTP
- Wire money in/out FRB JA
- Manually balance TCH reporting to Core/FinTech
- Staffing for nights/weekends (24x7x365)
- Excess liquidity “now,” how do you manage when liquidity is “tight?”

RTP Explained: 24/7 two-way messaging, with a real-time settlement model



FedNow – consists of two things

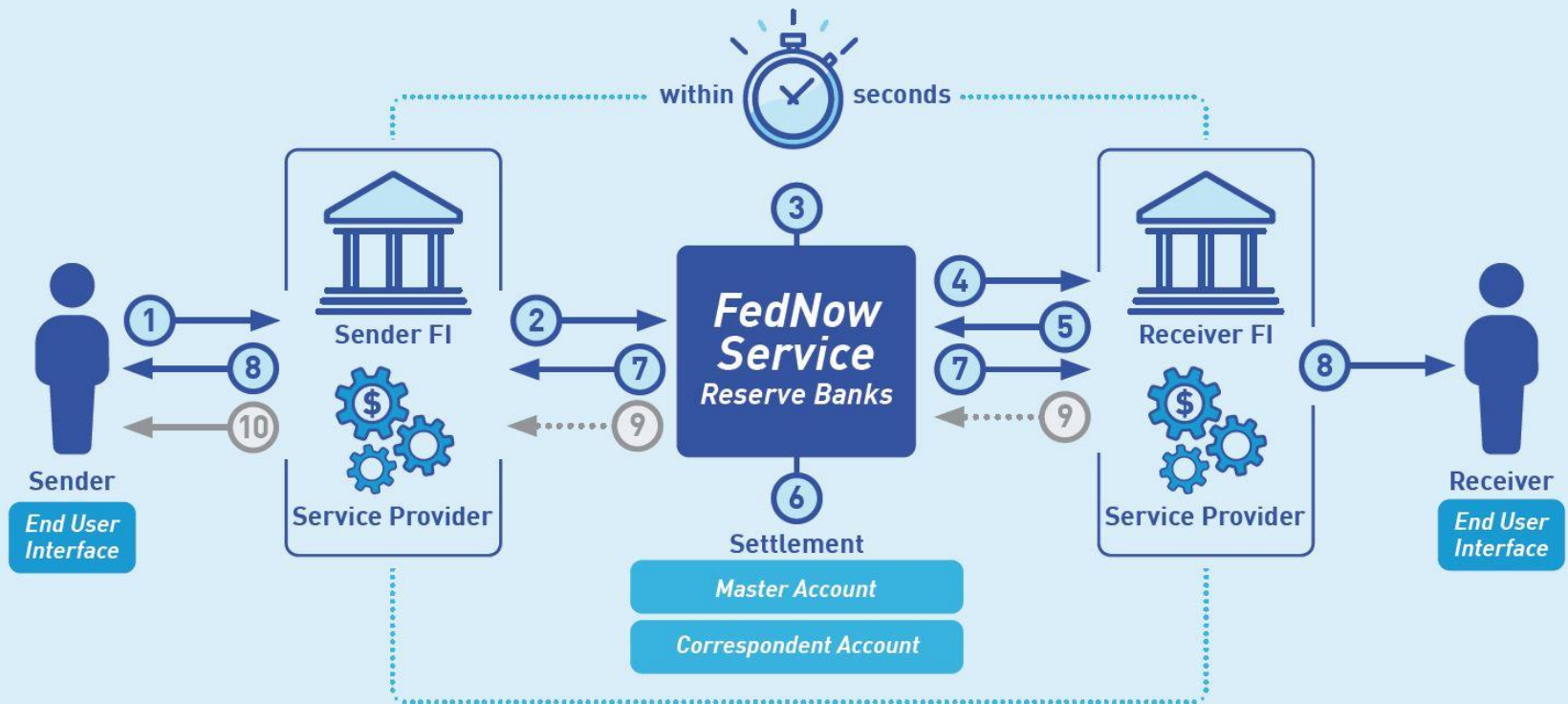
Transactions

- Core
- 3rd Party (Correspondent/FinTech)
- Direct (DIY)

Settlement

- Correspondent Bank Federal Reserve Master Account
- Community Banks Federal Reserve Master Account

FedNow Explained: 24/7 two-way messaging, with a real-time settlement model



Get ready!

What does this means for you Bank?

- RTP & FedNow
 - ISO 20022 – built for the future
 - Good funds credit push, never debit pull
 - Instant settlement
 - Irrevocable
 - RTP transaction limit = \$100k (TBD in 2022)
 - FedNow transaction limit = TBD

Get ready!

What does this mean for you Bank?

- Monitor transactions:
 - Wires - \$0 to \$1m
 - Revenue impact vs. expense reduction
 - Customer education

Get ready!

What does this means for you Bank?

- Monitor transactions – ACH/Same Day
 - Outbound – PayPal/Venmo/Digit/Zelle
 - Unexpected revenue impact
 - Customer education

Get ready!

What does this means for you Bank?

- Monitor transactions – ACH/Same Day
 - Inbound – Square/PayPal/Venmo/Zelle
 - Square – frenemy
 - Customer education

Get ready!

What does this means for you Bank?

- Integration to key systems is critical
 - Start with Receive
 - Core
 - Build the use case to Send
 - Know Your Customer
 - Core
 - Consumer Online Banking/Mobile
 - Business Online Banking/ancillary Payments solutions

Get ready

What does this means for you Bank?

Settlement Matters!

- RTP
 - Self Managed at FRB NY Joint Account
 - Funding Agent at FRB NY Joint Account
 - Net Settlement
 - Prefund for send
 - Can not go negative with settlement
 - Liquidity needs

Get ready

What does this mean for you Bank?

Settlement Matters!

- FedNow
 - Community Bank Master FRB Account
 - Correspondent Bank Master FRB Account
 - Gross Settlement
 - Can go negative with settlement
 - Liquidity needs

Instant Payments Resources

- The Clearing House/RTP

<https://www.theclearinghouse.org/payment-systems/rtp>

- FRB/FedNow

<https://www.frbservices.org/financial-services/fednow>

- The Faster Payments Council

<https://fasterpaymentscouncil.org/>

Thank you!

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