

TBB THE BANKERS BULLETIN

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SUPERHERO BANKS

by Andrew Johansen, *Forward in Technology*



On October 25th, five banks in Oklahoma joined together to provide education and a strong focus on fraud and cybersecurity to both local small businesses and the senior members of their communities. “Fight Cyber-Crime with your Bank” was developed by staff from all four banks in Alva and the bank in Hopeton. This extraordinary collaboration among five competing banks, demonstrates the impact that local banks can have on their customers and their towns.

The events were held in two venues in Alva and Jeff Story (The Bankers Bank) and Andrew Johansen (Forward in Technology) led in two discussions. During the afternoon discussion, small business owners met to “Snack and Share” about cyber security and other concerns. Business attendees ranged from construction to grocery, accounting to quality ice sellers, and more. They covered topics like malware, multi-factor authentication, and back up.

The evening event, “Dine and Discuss” focused on technology related fraud directed to the over 65 crowd of about 100 community members. The event began with videos about true fraud incidents and was followed by an hour of presenting and discussion conducted by Story and Johansen. Beginning with statistical data from the FBI Internet Crimes Complaint Center, they explored the impact and complaints about fraud and what types of fraud have been reported. Good security practices and password safety instigated questions from the crowd about password managers and social media scams. An AARP representative and bank employees followed up with additional expertise pertinent to those in attendance.

These community banks exemplified what it means to be a leader. We exist in a time of rapid

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change in both finance and technology. Many changes are unknown or misunderstood by a large percentage of the population. Community institutions like schools, chambers of commerce, local banks (especially in the rural communities) and libraries are uniquely positioned to inform, educate, and promote financial and digital safety to small businesses and residents.

We applaud these five banks for putting on this great event and for creating an awareness of the value of customer education, especially in fraud and cyber security which impacts banks, communities, and individuals.



ROAD SHOW 2022

We loved seeing each of you at the TBB Road Shows during August, September and October. It was great to share information and hear your suggestions. Thank you for attending!

Program materials available on our website: www.tbb.bank

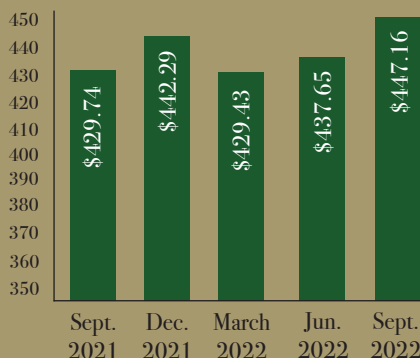


TBB SECURITY CODE LIST TO BE DELIVERED ELECTRONICALLY

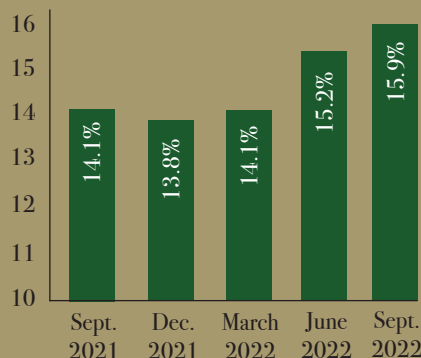
Beginning the second quarter of 2023, the Security Code List for call-in wires will no longer be mailed. TBB is moving to electronic delivery. Although most use call-in wires as a contingency, keep in mind that when you need it, you need it. To facilitate this change, new documents must be completed by March of 2023. Please contact Laura Coale, lcoale@tbb.bank or call (405) 848-8877 and just ask for Laura.

TBB BY THE NUMBERS *...a look into our Quarterly reports & profitability*

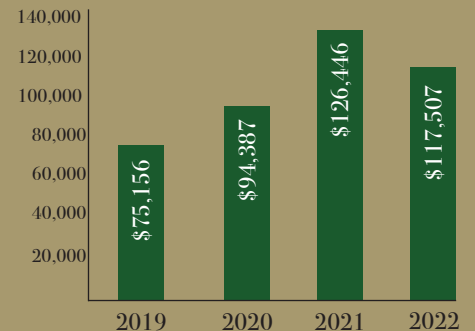
BOOK VALUE PER SHARE



CAPITAL RATIO (CBLR)



CORE DEPOSIT BALANCES (000's)





A SUBORDINATED DEBT DISCUSSION

by Miles Pringle, EVP & General Counsel

According to research firms, subordinated debt offerings by bank holding companies (BHCs) have grown significantly in the past few years. There appear to be two main drivers of this trend. First, low interest rates made high dollar issuances with longer terms more appealing. Second, in 2018, the asset threshold to qualify for the Small Bank Holding Company Policy Statement was raised from \$1 billion in consolidated assets to \$3 billion. When BHCs meet the criteria for the Policy, certain incentives are created, such as the ability to finance up to 75% of the purchase price of an acquisition.

It is interesting, and perhaps counterintuitive, that regulators appear favorable of subordinated debt. In fact, since the mid-1980s there have been at least 14 proposals to require large banking organizations to regularly issue subordinated debt on the open market. The main reason for this is that subordinated debt poses less of a risk to the insurance deposit fund. Subordinated debt is inferior to all other creditors, including depositors. As such, in the event of a failure, the subordinated debt is eliminated along with the shareholders, but there is more capital in the institution from said debt. Thus, regulators do not need to worry about the claims made by subordinated debt holders in a liquidation.

Compared to issuing new shares, issuing subordinated debt can be an attractive tool to raise capital. For example, issuing subordinated debt will not dilute current shareholders' interest, and interest payments on subordinated debt are tax deductible. With that said, subordinated debt may not be available to BHCs struggling financially, as there will be less demand for their debt.

Compared to a bank stock loan, there can be a benefit to either depending upon your needs. Some benefits of a bank stock loan are that they are more negotiable, fees are typically much lower, interest payments are also tax deductible, and there is no prepayment penalty. Subordinated debt may also look

more favorable at the outset; however, as noted by the FDIC, "subordinated debt is often issued at a fixed rate for the first five years before converting to a variable coupon rate. Therefore, if interest rates rise over the instrument's life, servicing costs may increase."

In order to qualify as subordinated debt, the transaction must contain certain features such as:

1. *Be subordinated to depositors and general creditors;*
2. *Not be covered by a guarantee or subject condition that improves the seniority of the instrument;*
3. *Have a minimum original maturity of at least five years; and,*
4. *Must not have any terms or features that create significant incentives for the banking organization to redeem the issuance prior to maturity.*

So, if an organization is looking to carry debt for a long period of time and assume risks with long-term interest rates, then subordinated debt can be an attractive option to finance growth or an acquisition. If the organization wants to prioritize the ability to pay down debt quickly and take less risk on long-term rates and upfront fees, then a bank stock loan might be the better option.

I would be remiss if I did not conclude by mentioning that TBB can accommodate both bank stock loans and subordinated debt offerings. Bank stock loans have been a primary product for TBB to help institutions and individual investors for decades. We also have an ownership interest in First Bankers Bank Securities, Inc. which can help broker subordinated debt transactions. Make sure to let us know if you are interested in either product. We are happy to work through the options.

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HOT TOPICS

by Kas Stewart,
SVP & AAP

Thank you to everyone who took the time to join The Bankers Bank on our 2022 Road Show Tour! It was great to see and visit with those of you who were able to attend. If you could not be with us in person, we missed you.

We shared a lot of information both on iWeb and some industry topics. If you would like to review what you heard or see what we discussed, the slide show from those events has now been posted on our website. A white paper on Multifactor Authentication can also be found there. A good part of the meeting related to iWeb, both current applications and future enhancements. Please feel free to call if you have questions on any of the material. We will be recording an internal presentation and will make that available to you also.

If you have not logged on to our website (www.tbb.bank) lately, we have made some changes. Each person needs to register individually and set up your own logon ID and password. Once your information has been reviewed, you will receive an email letting you know you have full access.

You may have seen some information from the Fed that showed the Fedwire Funds message format would be changed on November 21, 2022. This change to ISO20022 was announced earlier in the year, but implementation was delayed. The Bankers Bank is testing and preparing for this new message format, but there will be minimal, if any, impact to your bank. This change supports cross border interoperability and is specific to field tag {8200}, Unstructured Addenda information. This change will add field tag {8200} to bank transfer and cover payment options. That field tag is already being used in customers transfers.

Beginning this year, the Federal Reserve is permanently discontinuing holiday special currency ordering periods. The Reserve Banks are paying out new currency in all denominations throughout the year. If your institution needs new currency for the holiday season, Fed recommends setting aside new notes as you receive them.



A MESSAGE FROM THE CEO

We are fresh off the TBB Road Shows and I was so glad to see so many friends. We hosted almost 200 people in five cities and discussed new iWeb features, faster payments, cyber security, cryptocurrency, and capital lending alternatives. Importantly we learned what we do well and what we can improve upon. If we missed you, please let us know what we can do better and what services you would like to see from your correspondent bank.

For 2022, the good news is that things are shaping up for another excellent year. TBB continues to provide exceptional products and services with efficiency. The bad news is we are looking at a lot of the same things you are like margin compression, increased costs and competition, inflation, and a possible recession. First, we can use your help. If you have a loan you need to participate, or

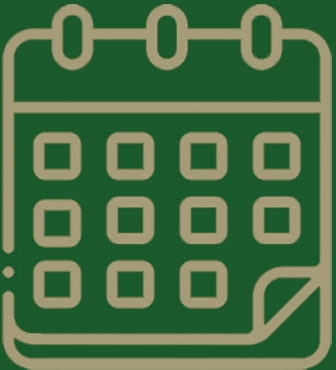
have capital needs, come see us first. We will never be your competition!

Second, we need to invest more in our products, services and people. As a result, we will continue to evaluate our pricing, but do not worry. As a quasi-cooperative we will always look to balance a sustainable business model with tremendous customer value. Most of our customers are also our shareholders so we will always make your bottom line a priority.

Thank you for all that you do with us!

Sincerely,

Troy Appling, President & CEO



**BANKERS BANCORP
ANNUAL SHAREHOLDER
MEETING**

*Friday
March 24, 2023*

**THE BANKERS BANK
GOLF CLASSIC**

*Monday
June 12, 2023*

SAVE THE DATE!

Need Capital?

The Bankers Bank can help you with any of your capital needs!



Traditional Bank Stock Loan

- No fee
- No pre-payment penalty
- P&I payments
- Collateralized
- Guarantors may be required
- Competitive rates
- Fixed or Floating



Modified Bank Stock Loan

- Minimal fee
- No pre-payment penalty
- Interest only 5 years
- Collateralized
- Guarantors may be required
- Competitive rates
- Fixed or Floating



Sub-Debt* Offering

- Origination fee
- Interest only 5 years
- No collateral
- No guarantors

*Provided by TBB subsidiary First Bankers' Banc Securities, Inc. Member FINRA & SIPC. Investments are not FDIC insured, not Bank Guaranteed & may Lose Value.

Hybrid Bank Stock Loan

Traditional and Sub-Debt blended

Other terms and conditions may apply

Contact Rick Lindsey, CLO, to set up a consultation and discuss your options.

RLindsey@tbb.bank | 405-848-8877

