

Reacting to the Challenges: Business Strategies for Future Success

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Adams Bank & Trust

- Family Owned for 95 Years
- \$525 Million
- 15 Branches

Challenges for the Future

- Net Interest Margin Compression
- Declining Non Interest Revenue
- Basic Business Model Shifts

Net Interest Margin Compression

- Record Low Interest Rates
- Uncertainty = Low Loan Demand
- Profitability in Agriculture
- Overhead Coverage

Non Interest Revenue Decline

- Economic Conditions
- ATM vs. Debit Cards
- 24/7 Account Access
- Mobile Banking Alerts

Shifts in Our Basic Business Model

- Higher Capital Ratios
- Higher Loan Loss Reserves
- Loan / Investment Opportunities

Shifts in Our Basic Business Model

- Regulatory Changes
- Free Checking
- Need for Efficiency

Strategies and Action Steps

- Proactively Moving Forward

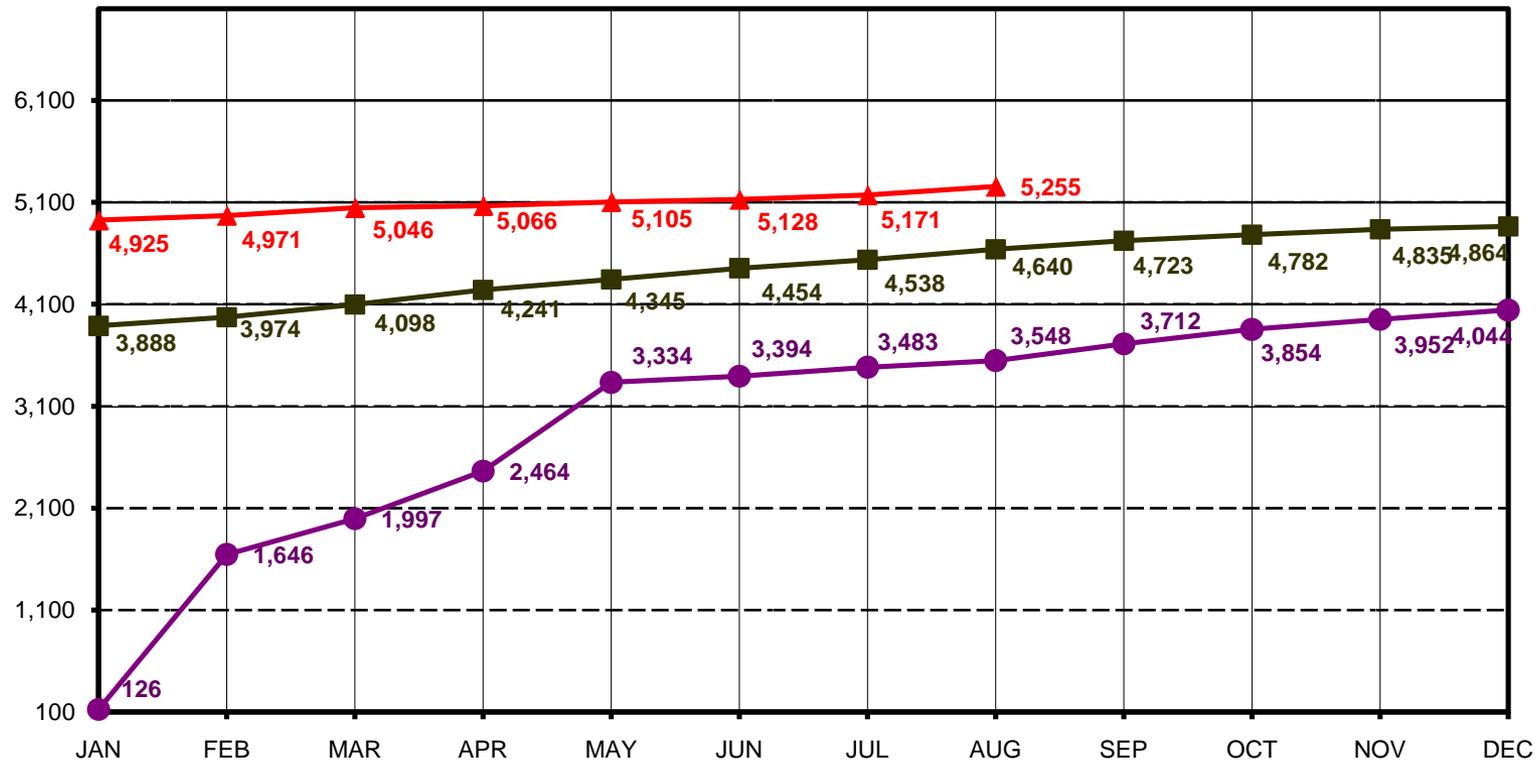
Electronic Statements

- Customer Incentives
- Plant a Tree
- Employee Incentives
- Penetration

E-Statement Penetration

E-Statements ~ Only Open Accounts

Adams Bank & Trust



● # of E-Statements '09

■ # of E-Statements '10

▲ # of E-Statements '11

Rewards Checking

- Incenting Customer Behavior
- E-Statement
- Direct Deposit
- Debit Card Usage
- Rate Reward
- ATM Usage Reward

Free Checking Shift

- Debit Card Interchange Fees
- Overdraft Fees
- FDIC Insurance Increases

Free Checking Shift

- Processing Costs
- Regulatory Costs
- Personnel Costs

Analysis of Consumer Checking Account

- Profitability
- Additional Income Source
- Increased Efficiency

Objectives:

- More Profitable New Customers
 - No Free Checking
 - Earn a Waived Service Charge

Objectives:

- Migrate Unprofitable Free Consumer Checking Households to a “Value” Account.

Initial Action Steps:

- Strategy Corps analyzed our existing consumer DDA portfolio and determined household profitability.

Initial Action Steps:

- Profitability Indicators:
 - Debit Card Usage Per Month
 - eStatement Enrollment
 - Average Balances
 - Fee Income (Service Charge & Loan)
 - Lending Relationships

Initial Action Steps:

Households were considered unprofitable if they generated less than \$250 in income to the bank per year.

Initial Action Steps:

Focus on only unprofitable free households as the other account types were at least earning some type of service charge.

Initial Action Steps:

- Unprofitable Free Accounts Were Migrated:
 - Proper Notification
 - Value Account \$6 / Month
 - Additional Benefits
 - Opportunity to Earn a Free Account

Follow-Up on Action Steps:

- New Consumer Checking Account Line up
- “Sun-setting” of Free Checking
- Addition of e-Checking

E-Checking is Basic Account:

- Free Initial Checks
- Free Debit Card
- Free Online Banking w/Billpay
- No Minimum Balance
- Unlimited Check Writing

E-Checking is Basic Account:

- \$4 / Month Service Charge
- UNLESS Customer has e-Statement
- Potential for Account to be Free

Our Thinking:

- Only affect the unprofitable customer base.
- Why upset free profitable customers?

Our Thinking:

- Create potential to EARN a free account.
- Service charge for receiving a paper statement.
- Value of additional benefits.

Our Thinking:

- Not just a checking account:
 - Online Shopping
 - Travel Insurance
 - Identity Protection
 - Sight and Hearing Savings
 - Prescription Discounts.

Feedback:

- 1013 consumers were notified of migration to AB&T's "Best" account.
- Letter outlined the benefits and that there would be a \$6 / month charge.
- Letter included Gold Card.

Feedback:

- In the first four weeks, of the 1013 accounts:
 - 41 were revised to another account type at AB&T (4%)
 - 27 were closed – all were dormant accounts with returned mail (2.6%)
 - 2 were closed by customer request (both accounts were dormant) (.20%)

Feedback:

- Between the 15 branches:
 - 56 phone in regards to the migration
 - 18 people walked into a physical branch with questions
 - The migration process was a non-event

Don't Forget to Have Fun

- Celebrate Successes
- Recognize Group Achievements



Counting Down
to a
Valued Success

LAMPSTAND
284-2823

WORTHEN HALL
MEMBERSHIP 1st & 2nd FLOOR

3	4	5	6
10	11	12	13
17	18	19	20
24	25	26	27
JULY			
3	4	5	6
10	11	12	13
17	18	19	20
24	25	26	27
OCTOBER			
2	3	4	5
9	10	11	12
16	17	18	19
24	25	26	

BRANCHES OF THE FUTURE WILL
BE PLACES WHERE WE EDUCATE,
INFORM AND SELL BY DELIVERING
VALUE TO OUR CUSTOMERS AS
FINANCIAL PROFESSIONALS.