

March 27,  
2023



# A WORD FROM THE PRESIDENT

To Our Valued Customers:

Kerndt Brothers Savings Bank has a 167-year history of serving as a trusted financial partner. Considering recent news regarding a bank in California and a bank in New York, I would like to take a moment to reassure all our customers that your bank is safe and sound. The banks you may have heard about in the news have a very different business model than community banks like Kerndt Brothers.

Kerndt Brothers Savings Bank is focused on building local relationships and gathering deposits that then can be lent out to local businesses owners, farmers, and families. This business model has stood the test of time. Kerndt Brothers has a history of strong equity capital and will remain your trusted financial partner for generations to come.

As a result of our strong earnings and asset quality, Kerndt Brothers Savings Bank continues to earn Bauer Financial Inc.'s highest possible rating of 5-Stars again in 2023. Bauer Financial, Inc. is the nation's leading independent bank rating and research firm. Following is a news release dated March 13, 2023, from Iowa Bankers Association that quotes John Sorensen, President/CEO of the Iowa Bankers Association that should help shed further light on the strength of Iowa Banks.

**If you have any questions or concerns, please contact me or our team at 800-577-5272. We look forward to serving you well into the future.**

James Kerndt  
President/CEO  
Kerndt Brothers Saving Bank

# IOWA BANKERS ASSOCIATION

March 13, 2023

**Following Bank Closures in California and New York is a statement from the Iowa Bankers Association on Iowa Financial Stability.**

Iowa banks remain well capitalized and highly liquid — a strong financial resource for Iowans. JOHNSTON, IOWA (March 13, 2023) — Iowa banks continue to be a source of strength and stability, and their asset quality measures remain favorable following the bank closures of Silicon Valley Bank in California and Signature Bank in New York. "These two banks utilized a very different business model than that of a typical Iowa bank," said IBA President and CEO John Sorensen. "A concentration in funding from volatile tech startups and crypto-related firms is not common in our industry. Iowa banks are principally relationship-based lenders that gather deposits and lend locally. This business model has stood the test of time. It is why our banks continue to best national measures for capital, liquidity and credit quality. The events of this past week do not change those facts."

In a joint statement, the Treasury Department, Federal Reserve and Federal Deposit Insurance Corp. stated that overall, the "U.S. banking system remains resilient and on solid foundation, in large part due to reforms that were made after the financial crisis that ensured better safeguards for the banking industry. "Those reforms combined with today's actions demonstrate our commitment to take the necessary steps to ensure that depositors' savings remain safe."

## **FDIC INSURANCE PROTECTS BANK CUSTOMERS**

In addition to a bank's capital, Iowans' deposits are protected by federal deposit insurance.

- In the 88-year history of the FDIC, no one has ever lost a penny of an insured deposit.
- The FDIC insures up to \$250,000 in eight separate account categories per depositor per bank. The FDIC is completely funded by the banking industry.
  1. Every bank pays risk-based premiums every quarter to support the fund.
  2. The FDIC insurance fund and all of the agency's costs come entirely from premiums paid by banks.
  3. The industry knows that a strong FDIC and deposit insurance fund are essential to the banking system. Banks stand ready to do whatever it takes to ensure the Health of the fund and strength of the FDIC.
  4. The FDIC insurance fund stood at an all-time high of \$124.5 billion as of June 2022.
  5. The FDIC has a \$100 billion line of credit with the U.S. Treasury, which would, by law, have to be repaid by the banking industry if ever used. The banking industry is well capitalized.
  6. In total, more than 99% of banks are "highly capitalized" and far above the most stringent regulatory standards.